9 What is likely to have its cause in the separation of ownership and control in a firm?

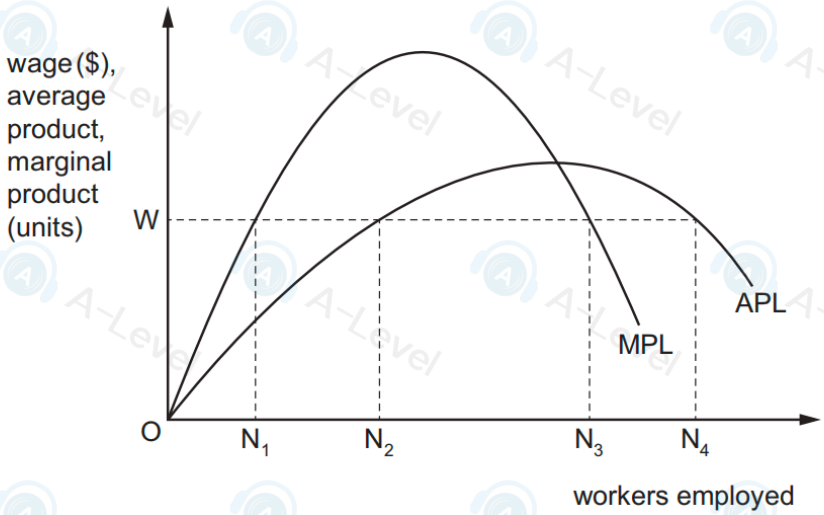
A contestable markets

B diseconomies of scale

C principal-agent problem

D prisoner's dilemma

15 The diagram shows a perfectly competitive firm's average product of labour (APL) and marginal product of labour (MPL) curves.



How many workers will the firm employ at a wage of W?

A ON_1 **B** ON_2 **C** ON_3 **D** ON_4

13 What is an advantage of pollution permits, when compared with an alternative policy of taxes levied on the quantity of pollutants emitted by firms?

A firms cannot sell any surplus permits

B no monitoring of firms' emissions is required

C pollution levels can be reduced to zero

D the reduction in the level of pollution is more predictable

7 Which assumption is essential for a market to be contestable?

A The market is supplied by a large number of firms.

B Firms are free to enter and leave the market.

C Firms cannot earn abnormal profits in the short run.

D Firms produce differentiated goods.

9 When does a more equal distribution of income occur?

A when a country's income tax system is made more progressive

B when someone is made better off without making someone else worse off

C when the best use is made of scarce resources

D when there is an increase in the Gini coefficient

13 A firm is faced with a shortage of labour. It decides to introduce its own training scheme for school leavers.

Which effect is this most likely to have on the firm?

A a decrease in the number of workers it employs

B a decrease in the productivity of its workforce

C an increase in the geographical mobility of its labour

D a shift of the supply curve for its labour to the right

6 Which statement is correct?

A External benefit minus private benefit equals social benefit.

B Private benefit minus external benefit equals social benefit.

C Social benefit minus external benefit equals private benefit.

D Social benefit plus private benefit equals external benefit.

7 Which combination of statements about small firms and large firms is most likely to be correct?

	small firms	large firms
A	are more common in manufacturing than in services	face high barriers to exit
B	are more numerous than large firms	do not experience diseconomies of scale
C	can do well when each item produced is different	may arise from internal growth or mergers
D	cannot have any monopoly power	cannot earn supernormal profits

13 What is a failure of government microeconomic intervention?

A An indirect tax equal to external costs is imposed on cigarettes and the demand falls.

B Limits are placed on a trade union's restrictions that increase labour mobility.

C Price controls on bread are removed which allow a free market to operate.

D Tariffs are imposed on imported goods which cause the Gini coefficient to increase.

7 In which market structure is dynamic efficiency **least** likely to occur?

A oligopoly

B monopolistic competition

C monopoly

D perfectly competitive

3 Negative externalities, such as air pollution due to car emissions, can cause damage to people's health in cities.

Which response is most likely to occur from this situation?

A car manufacturers will automatically bear any external costs

B market failure will be resolved when private costs equal external costs

C most people will decide to use buses rather than cars

D some form of government intervention to improve economic efficiency

7 The world's largest pharmaceutical companies developed and distributed an effective vaccine to combat a dangerous virus.

What can be associated with this vaccine programme?

A demerit good and negative production externality

B imperfect competition and positive consumption externality

C perfect competition and negative consumption externality

D public good and negative production externality

4 A firm increases its output, starting from zero.

How will this affect its short-run marginal cost (MC), average total cost (ATC) and average fixed cost (AFC)?

	MC	ATC	AFC
A	fall then rise	fall then rise	fall
B	fall then rise	rise then fall	rise
C	rise then fall	fall then rise	fall
D	rise then fall	rise then fall	rise

14 What is likely to result if a government introduces a new regressive tax?

A Aggregate demand will increase.

B Employment opportunities will increase.

C Income equality will improve.

D Tax revenues will increase.

9 A privately owned sole supplier of gas operates in an unregulated market with high barriers to entry and exit.

Which row is most likely to indicate the economic efficiency resulting from the firm's position in this market?

	productive efficiency	allocative efficiency	dynamic efficiency
A	no	no	no
B	no	no	yes
C	no	yes	yes
D	yes	no	yes

15 Economics textbooks state that labour is a derived demand for a firm in imperfect competition.

How is the demand curve for labour derived?

A by multiplying the average physical product by the average revenue

B by multiplying the average physical product by the marginal revenue

C by multiplying the marginal physical product by the marginal cost

D by multiplying the marginal physical product by the marginal revenue

6 LMN Ltd operates as a relatively small, family-owned producer in an industry dominated by a few large firms. Its product is unique so the owners are confident they will be able to sell enough to provide them with sufficient revenue to allow a minimum acceptable level of performance for the firm.

Other than survival, what is the most likely objective of LMN Ltd?

A profit maximising

B profit satisficing

C revenue maximising

D sales maximising

30 The table shows the value of the Gini coefficient for an economy from 2018 to 2020.

year	Gini coefficient
2018	0.29
2019	0.28
2020	0.27

What is most likely to explain the change in the value of the Gini coefficient between 2018 and 2020?

A an increase in indirect taxes

B an increase in long-term unemployment

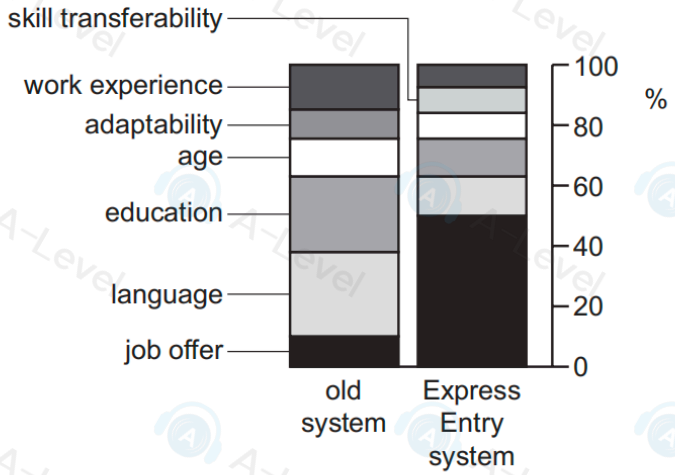
C an increase in the national minimum wage

D an increase in population

16 Immigrants are awarded entry points according to their ability to fulfil criteria set by the Canadian Government. A new Express Entry system for the immigration of skilled workers was introduced.

The diagram shows the change in the relative importance or weighting given to these criteria between the old and new systems.

Criteria weighting (%) for skilled worker immigration



What can be concluded from the diagram?

A Canada intended to maintain the same level of skilled immigrants under both systems.

B Canada wanted a smaller number of highly educated skilled immigrants.

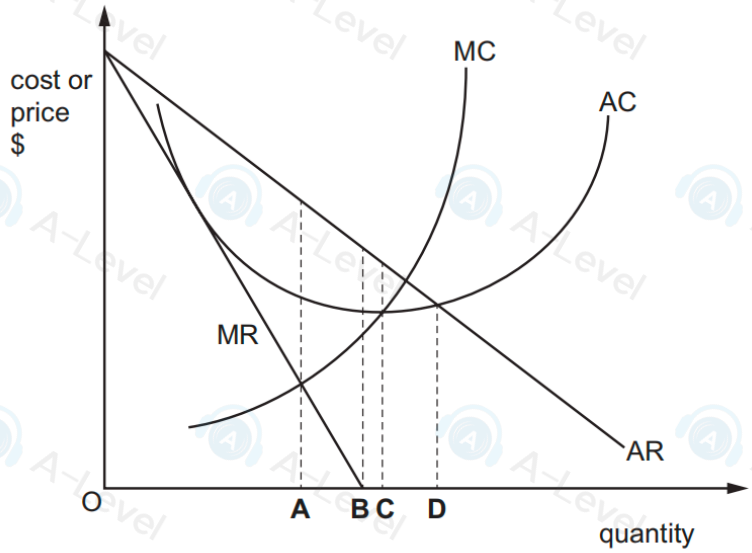
C Certainty of employment for skilled immigrants was made the main criterion.

D Skilled immigrants needed to have fewer years of work experience than previously.

6 What is achieved in monopolistic competition in the long run?

	allocative efficiency	supernormal profit
A	no	no
B	no	yes
C	yes	no
D	yes	yes

5 At which level of output is sales maximisation achieved consistent with earning normal profit?



7 Which condition is necessary for a firm to practise third degree price discrimination effectively?

A All consumers and producers must be in the same geographical location.

B Customers must be divided into separate markets for the same product.

C Each separate market must have identical price elasticities of demand.

D Price undercutting is required to enter a monopolistic market.

11 What would definitely result from the divorce of ownership and control?

A decreased moral hazard

B the principal agent problem

C greater productive efficiency

D increased profit maximisation

12 A government's aim is to reduce real wage rates.

Which policy should be used to achieve this aim?

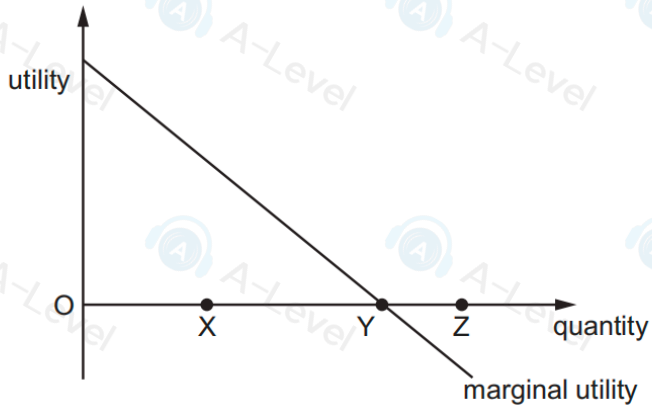
A Award public sector workers pay increases below the rate of inflation.

B Encourage private sector pay awards to be in line with company profits.

C Introduce a minimum hourly wage for non-unionised, low-paid workers.

D Remove any restrictions on trade unions to bargain for wages.

1 What does the marginal utility diagram show?



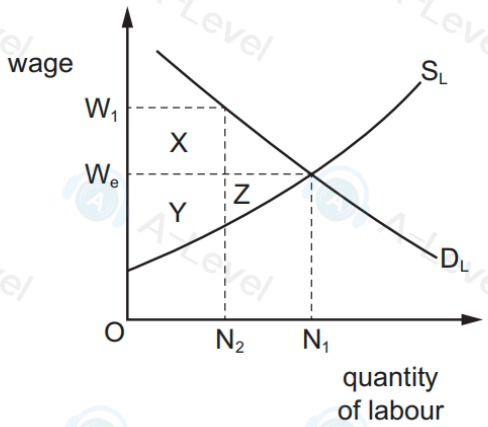
A Total utility becomes negative if the quantity consumed increases from Y to Z.

B Total utility decreases if the quantity consumed increases from X to Y.

C Total utility decreases if the quantity consumed increases from Y to Z.

D Total utility is maximised at X.

12 The diagram shows the demand for and supply of labour.

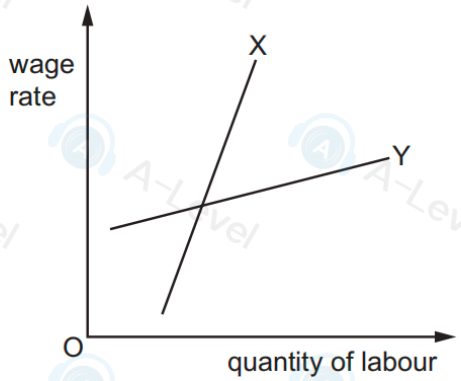


The government announces a minimum wage of W_1.

Which area represents the increase in the economic rent of workers who will continue to be employed at the minimum wage?

A X **B** Y **C** X + Y **D** X + Y + Z

12 The diagram shows the supply curve of labour for two separate markets, X and Y.



What explains the difference in the gradients of the labour supply curves?

A Market X has a higher marginal revenue product per worker than Y.

B Market X has a higher percentage of its labour belonging to a trade union than Y.

C Market X has higher labour costs as a percentage of total costs than X.

D Market X has more specific skills and training requirements than Y.

10 If the marginal cost of a good is lower than its price, allocative efficiency has not been achieved.

What is likely to remedy this situation?

	production of the good	price of the good
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

13 A firm buys new machinery which increases the marginal productivity of its workforce.

What will be the resulting impact on the market for labour?

A a shift to the left in the demand curve for labour

B a shift to the right in the demand curve for labour

C a shift to the left in the supply curve of labour

D a shift to the right in the supply curve of labour