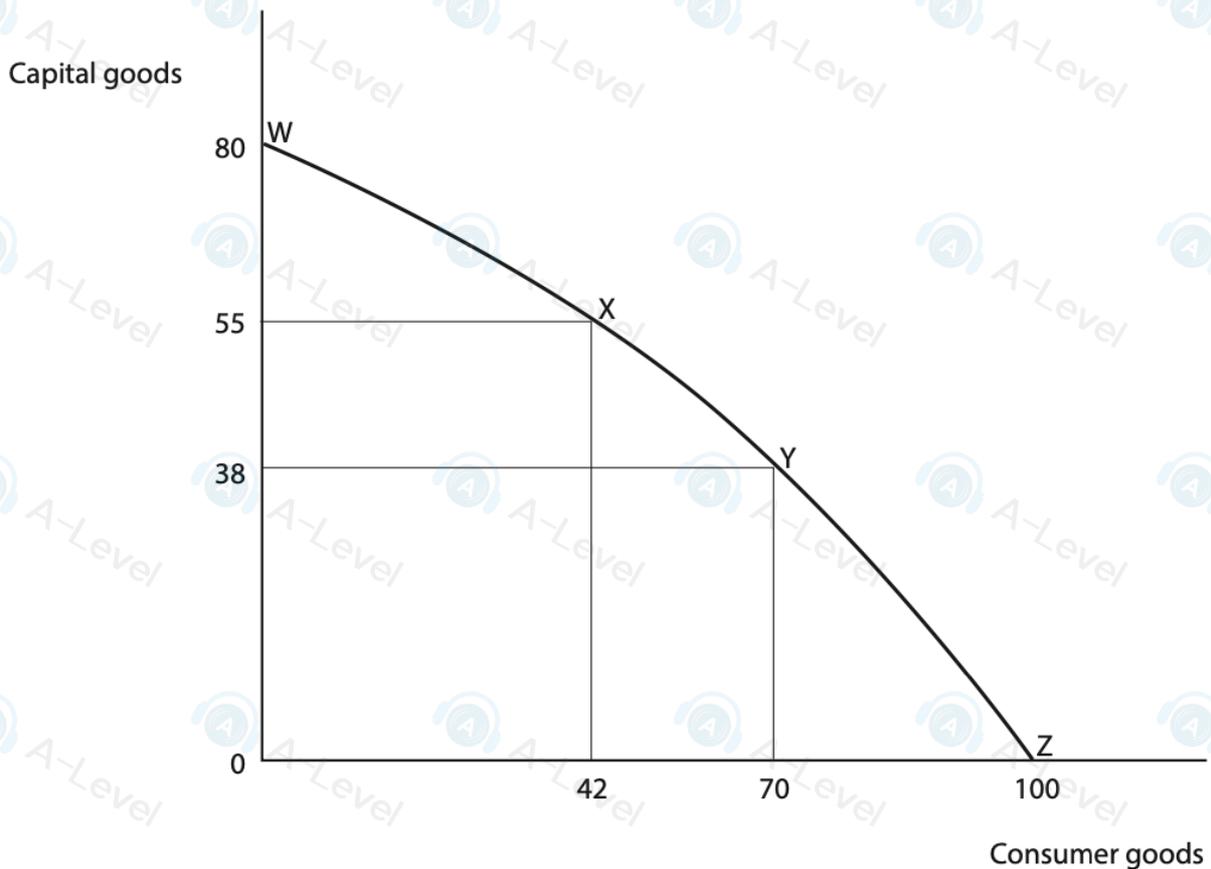


1 Which **one** of the following is an example of a market failure?

- A Unintended consequences
- B A market bubble in the housing market
- C Excessive administration costs resulting from regulation
- D A firm exiting the market because it was making a loss

(Total for Question 1 = 1 mark)

4 The diagram shows the production possibilities for an economy.



Which **one** of the following can be deduced from the diagram?

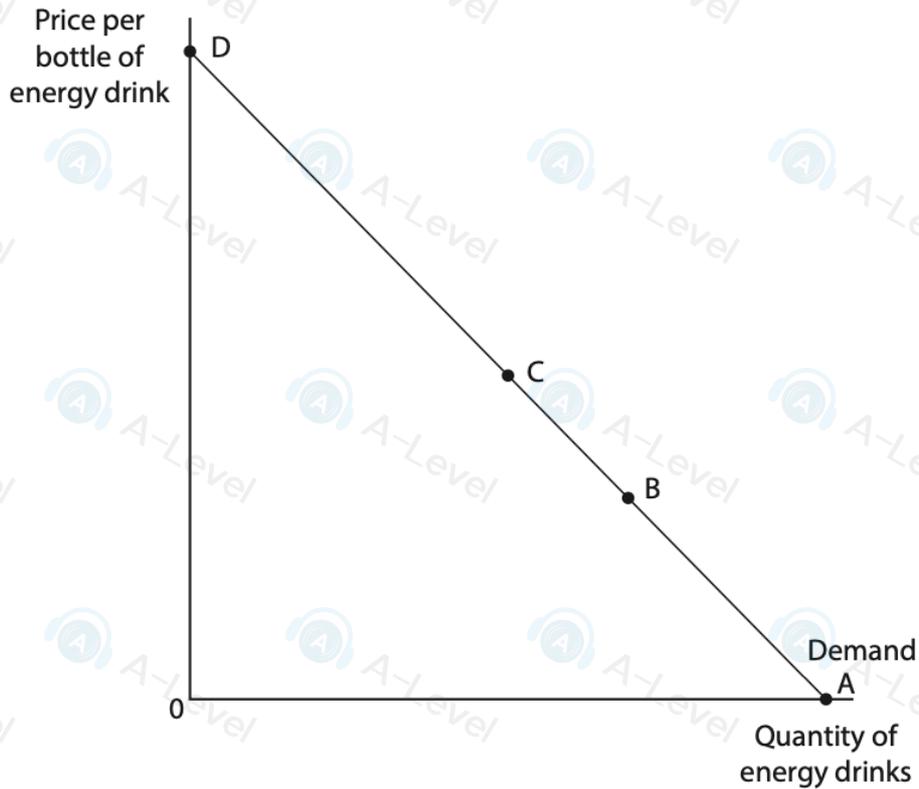
- A The movement from W to X has an opportunity cost of 42 consumer goods
- B The movement from Y to Z has an opportunity cost of 30 consumer goods
- C The movement from X to Y has an opportunity cost of 17 capital goods
- D The movement from Y to X has an opportunity cost of 28 capital goods

(Total for Question 4 = 1 mark)

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4 The diagram shows the demand curve for bottled energy drinks.



Which **one** of the following points has the value of -1 for price elasticity of demand?

- A
- B
- C
- D

(Total for Question 4 = 1 mark)

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5 The European Union (EU) has a tradeable permit scheme for carbon emissions. The price of a carbon permit was below €5 in 2013 and increased to €25 in 2019.

Which **one** of the following is the most likely reason for the increase in the price of carbon permits?

- A The EU issued too few permits in 2013
- B The EU issued too many permits in 2019
- C The demand for permits decreased between 2013 and 2019
- D The supply of permits was reduced between 2013 and 2019

(Total for Question 5 = 1 mark)

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- 6 The table shows the estimated price elasticity of demand for air travel. Short-haul is air travel within the same continent and long-haul is air travel to a different continent.

	Estimates of price elasticity of demand
Short-haul business travellers	-0.70
Long-haul business travellers	-0.27
Short-haul leisure travellers	-1.52
Long-haul leisure travellers	-1.04

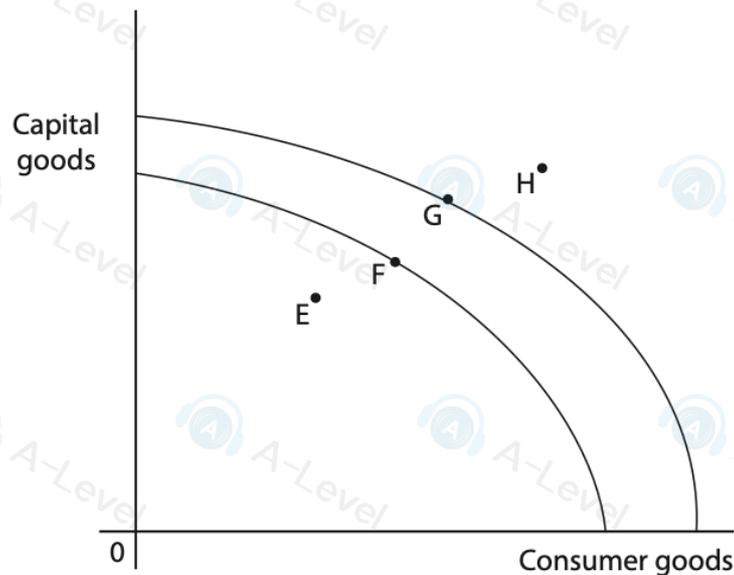
(Source: https://www.fin.gc.ca/consultresp/Airtravel/airtravStdy_eng.asp)

Which **one** of the following can be deduced from the table?

- A** An increase in the price of flights for long-haul business travellers will increase total revenue for airlines
- B** An increase in the price of flights for short-haul leisure travellers will increase total revenue for airlines
- C** Long-haul business travellers are more responsive to a change in price than short-haul business travellers
- D** Long-haul leisure travellers are more responsive to a change in price than short-haul leisure travellers

(Total for Question 6 = 1 mark)

5 The diagram shows two production possibility frontiers (PPFs) for an economy.



Which **one** of the following can be deduced from this diagram?

- A A movement from Point E to Point F indicates an increase in unemployment
- B A movement from Point G to Point F indicates that more consumer goods would be produced
- C A movement from Point F to Point G indicates economic growth
- D A movement from Point G to Point H indicates that resources are not being used efficiently

(Total for Question 5 = 1 mark)

11 Eating too much salt is associated with a higher risk of heart disease and stomach cancer. Every year 1.5 million deaths are attributed to excess salt in food. In the UK, the National Food Strategy recommended that an indirect tax of £6 per kg is introduced on salt added to food by manufacturers.

Explain the impact of the introduction of this indirect tax on the market for food products containing salt added by manufacturers.

Illustrate your answer with an appropriate diagram.

8 **Statement 1:** Producers of renewable energy received subsidies of \$140 billion globally in 2016. Producers of non-renewable energy received subsidies of \$260 billion.

Statement 2: Subsidies for renewable energy should be increased and subsidies for non-renewable energy should be decreased.

With reference to Statement 1 and Statement 2, explain the difference between positive statements and normative statements.

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11 Between 2019 and 2022 the number of international visitors to Czechia decreased from 6.8 million to 4.5 million.

Ceteris paribus, explain the likely impact on producer surplus in the hotel market in Czechia.

Illustrate your answer with a supply and demand diagram.

7 In 2023 the Government of France considered imposing an indirect tax on aviation fuel for those using private jets. This was to be set at a rate of €0.65 per litre.

Draw a diagram to illustrate the impact of imposing this indirect tax on aviation fuel for private jets.

9 The table shows the cross elasticity of demand for biscuits and cold soft drinks with respect to a change in the price of hot drinks.

Cross elasticity of demand with respect to a change in the price of hot drinks	
Biscuits	-0.47
Cold soft drinks	+0.43

With reference to the information given, explain the difference between substitutes and complements.

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