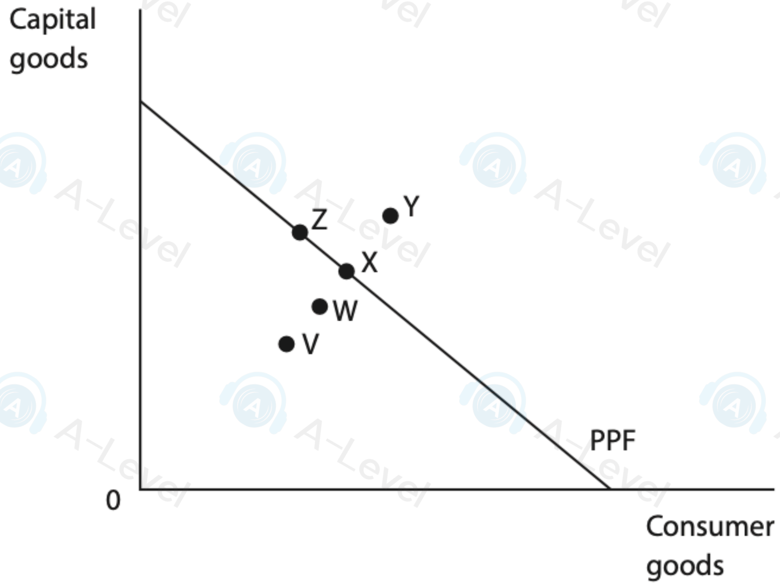
6 The diagram shows the production possibility frontier (PPF) for a small country.



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

☒ **A** The movement from Z to Y is obtainable using currently available resources

☒ **B** The movement from Z to X has an opportunity cost in terms of consumer goods

☒ **C** The movement from V to W results in a decrease in unemployment

☒ **D** The movement from X to W results in an increase in efficiency

(Total for Question 6 = 1 mark)

3 The cross elasticity of demand for Pepsi Cola with respect to a change in the price of Coca-Cola is estimated to be +0.62 in North America.

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

☒ **A** Pepsi Cola and Coca-Cola are complements

☒ **B** Pepsi Cola and Coca-Cola are substitutes

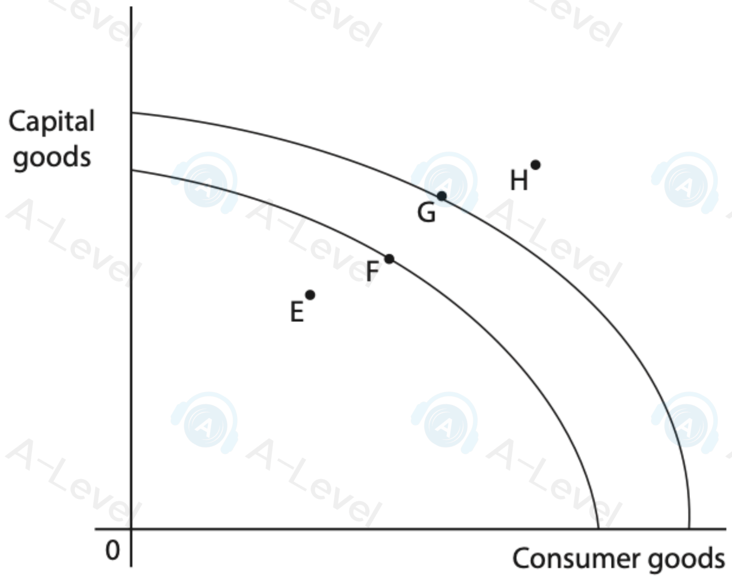
☒ **C** Pepsi Cola and Coca-Cola are unrelated goods

☒ **D** Pepsi Cola and Coca-Cola are normal goods

(Total for Question 3 = 1 mark)

DO NOT WRITE IN THIS AREA

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)

1 Singapore is considered to be close to being a free market economy, with low tax rates, minimal regulations on businesses and a reliance on the price mechanism.

Which **one** of the following is a disadvantage of a free market economy?

☒ **A** The profit incentive encourages investment

☒ **B** The non-provision of public goods

☒ **C** The possibility of government failure

☒ **D** An equal distribution of income

(Total for Question 1 = 1 mark)

RITE IN THIS AREA

1 Which **one** of the following combinations best describes the basic economic problem?

	Wants	Resources
A	Unlimited	Infinite
B	Unlimited	Finite
C	Finite	Infinite
D	Finite	Finite

(Total for Question 1 = 1 mark)

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)

9 Emiliana Lucas owns a farm in Tanzania on which she grows sunflowers. In 2020 Tania, her neighbour, started a honey bee farm. The honey bees pollinated Emiliana's sunflowers. As a result, seed production on Emiliana's farm increased from 300kg in 2019 to 620kg in 2020.

With reference to the information provided, explain the difference between private benefits and external benefits.

8 The table shows the change in the sales of capital goods and consumer goods compared to the previous month in the USA.

	Capital goods	**Consumer goods**
April 2020	–6.5%	–14.7%
May 2020	+2.3%	+17.7%

With reference to the table, explain the difference between 'capital goods' and 'consumer goods'.

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE

11 In 2019 there were 15.7 million visitors to Legoland's eight theme parks globally. In 2021 this number decreased to 9.4 million.

Ceteris paribus, explain the likely impact of this decrease in visitor numbers on the producer surplus for Legoland.

Illustrate your answer with an appropriate diagram.

(4)

9 In the USA 92% of people had private health insurance in 2021. It is estimated that, in the USA, $200 billion per year is spent on unnecessary operations.

Explain **one** microeconomic reason why people might have unnecessary operations in the USA.

8 Many hotels offer an all-you-can-eat breakfast buffet. 80% of hotel guests go to the breakfast buffet three times for food but only 10% visit five times.

With reference to hotel breakfasts, explain why the above information illustrates 'diminishing marginal utility'.

14 The division of labour applies to many types of production and occupation, including:

- in the textile industry, workers are responsible for specific parts of the production process
- in healthcare, workers have different roles including doctors, nurses, cleaners and administrators.

Evaluate the advantages of the division of labour for businesses **and** workers. Refer to an industry of your choice in your answer.

(Total for Question 14 = 20 marks)

IN THIS AREA
IS AREA
DO NOT WRITE IN THIS AREA