



ECONOMICS
STANDARD LEVEL
PAPER 1

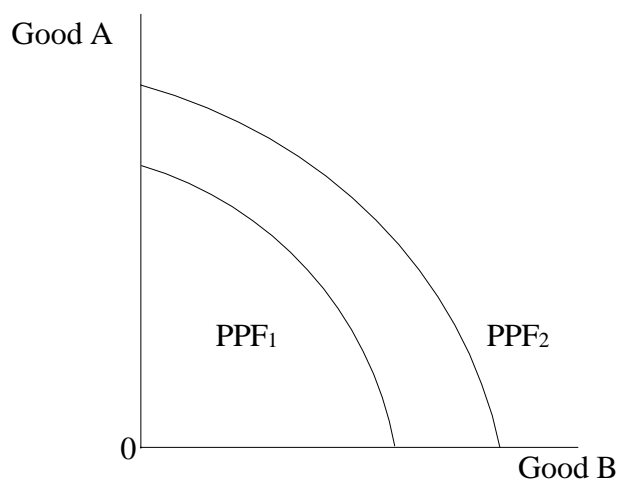
Wednesday 7 November 2001 (afternoon)

1 hour

INSTRUCTIONS TO CANDIDATES

- / Do not open this examination paper until instructed to do so.
- / Answer all the questions.
- / For each question, choose the answer you consider to be the best and indicate your choice on the answer sheet provided.

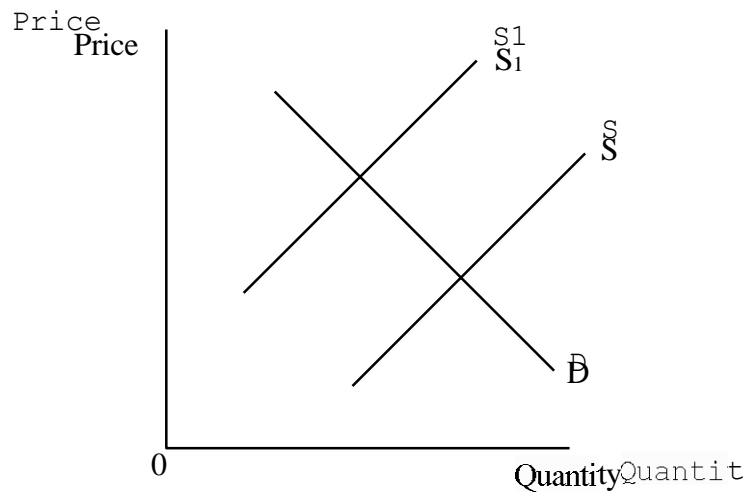
1. The following diagram shows two production possibility frontiers (PPF) for an economy which can produce two goods.



A shift from PPF₁ to PPF₂ is caused by

- A. an increase in aggregate demand.
 - B. price increases for both good A and good B.
 - C. an increase in the productivity of labour.
 - D. recovery from a recession.
2. A major distinction between an economic good and a free good is that a free good
- A. is provided by the government.
 - B. is always a public good.
 - C. has the same price as an inferior good.
 - D. has no opportunity cost.

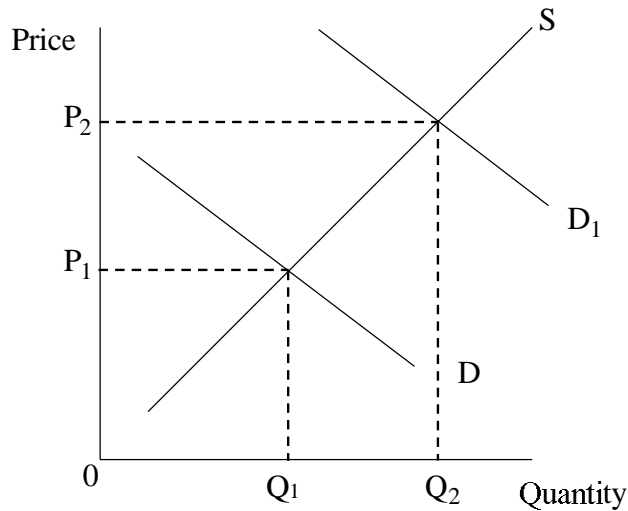
3. Which **one** of the following would be classified under the factor of production defined as 'land' by an economist?
- A. A tractor
 - B. Fish in the sea
 - C. A farmer
 - D. A packet of frozen vegetables
4. A general trend in the economic systems of More Developed Countries in the 1990s was
- A. an increase in employment in the primary sector of the economy.
 - B. more emphasis given to promoting income equality between rich and poor.
 - C. the increased growth of the public sector due to nationalisation.
 - D. greater emphasis given to promoting the private sector of the economy.
5. The diagram below shows the demand and supply for tennis balls.



Which **one** of the following could explain the shift in the supply curve from S to S₁?

- A. An increase in the price of a complement
- B. A decrease in the level of a government subsidy for tennis ball producers
- C. An improvement in the technology for making tennis balls
- D. A decrease in the cost of producing tennis balls

6. The diagram below shows the demand and supply for a good.



Which **one** of the following could explain the rise in price from P_1 to P_2 ?

- A. A fall in consumer incomes
- B. A rise in the cost of producing the good
- C. A fall in the price of a complementary good
- D. A fall in the price of a substitute good

7. The table below shows a demand and supply schedule.

Price in dollars	Quantity demanded	Quantity supplied
20	100	200
18	120	170
16	140	140
14	160	110
12	180	80
10	200	50

A government decision to impose a minimum price of 12 dollars would result in

- A. excess demand of 100.
- B. excess supply of 100.
- C. a fall in the equilibrium price to 12 dollars.
- D. no change in the equilibrium price or quantity.

8. Other things being equal, the existence of a negative externality is likely to be associated with
- A. underproduction.
 - B. overproduction.
 - C. under-consumption.
 - D. overpricing.
9. Which **one** of the following best describes a tradable permit?
- A. A means of creating a market in externalities
 - B. A non tariff import restriction
 - C. A licence issued to producers in command economies
 - D. An indicator of the band in which a fixed exchange rate is allowed to fluctuate
10. A key difference between a centrally planned economy and a free market economy is that a centrally planned economy
- A. uses administered prices rather than free market prices to determine the allocation of goods.
 - B. is more concerned with the problem of scarcity.
 - C. seeks to maximise allocative rather than productive efficiency.
 - D. has a different set of macroeconomic objectives.
11. Ryanair, a cut-price airline, claims that the price elasticity of demand for return economy fares between London and Dublin is -4 . Over the year 1995 one million people flew the return route at $\text{?}240$. How many are likely to have flown during 1999, when prices had dropped to $\text{?}60$?
- A. 1.4 million
 - B. 3 million
 - C. 4 million
 - D. 5 million

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