28 What is **not** a limitation of the theory of comparative advantage?

A the movement of factors of production between countries

B governments' imposition of trade restrictions

C one country being more efficient in the production of all goods

D transport costs outweighing any comparative advantage

A-Level Economics: **w25 12**

26 A country with a floating exchange rate has a large deficit on the current account of the balance of payments.

What is most likely to decrease as a consequence of this deficit?

A competitiveness of the country's products

B level of employment in the country

C prices of exports from the country

D rate of inflation in the country

27 What will definitely lead to an improvement in the terms of trade?

A Export prices fall whilst import prices rise.

B Export prices rise by the same amount as import prices.

C Export prices rise slower than import prices.

D Export prices rise whilst import prices stay the same.

A-Level Economics: **w25 13**

28 What is meant by comparative advantage?

A One country can produce a product at a lower opportunity cost than another country.

B One country can produce more of a product than another country, using a given level of resources.

C One country has lower barriers to trade than another country.

D One country is making more efficient use of factors of production than another country.

A-Level Economics: **w25 14**

27 The table shows the terms of trade for an economy expressed as an index number for the period 2019 to 2021.

year	terms of trade index (2018 = 100)
2019	101
2020	104
2021	109

What can be concluded from the table?

A The quantity of imports rose relative to the quantity of exports.

B The price of exports rose relative to the price of imports.

C The price of imports rose relative to the price of exports.

D The value of exports rose relative to the value of imports.

28 Which explanation for a country choosing to engage in international trade is **not** valid?

A Engaging in international trade enables the country to achieve a higher average standard of living.

B Other countries are more efficient at producing some goods.

C There are some products that the country cannot produce.

D The country has a comparative advantage in the production of all of its goods compared to other countries.

A-Level Economics: **s25 12**

28 Which formula is used to calculate the terms of trade?

A the average price of exports divided by the average price of imports

B the average price of imports divided by the average price of exports

C the value of exports divided by the value of imports

D the value of imports divided by the value of exports

27 Each diagram shows the production possibility curves (PPCs) of two economies, X and Y, which produce food and clothes.

In which diagram would both economies benefit by specialising in the good in which they have comparative advantage and trading at an exchange rate of 1 unit of clothes to 1.5 units of food?