Question 1 (Answer: **A**)

- The principal–agent problem arises when one person acts on behalf of another.
- Their interests differ, and the agent has information the principal does not.
- A manager deciding for the owner is the textbook case – the manager may pursue growth or salary rather than profit.

Question 7 (Answer: **D**)

- Revenue maximisation is where marginal revenue equals zero.
- Sales maximisation is the largest output at which the firm still breaks even – where AR equals AC.
- So the output rises when the objective changes, because breaking even permits more output than $MR = 0$.

Question 9 (Answer: **D**)

- Nudge theory changes the way choices are framed while leaving all the options open.
- So it works by altering the default or the salience of a choice, not by compelling anyone.
- A legal requirement removes the choice, which is the opposite of a nudge.