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Question 2 (Answer: **C**)

- Opportunity cost is what is given up – here, the bus driving job.
- So the cost rises if the bus job becomes more attractive.
- A pay rise for bus drivers would make the sacrifice larger.

Question 6 (Answer: **A**)

- Excess supply occurs at a price *above* the equilibrium.
- At that price quantity supplied exceeds quantity demanded.
- The disequilibrium is the horizontal gap between the two curves at that price.

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Question 14 (Answer: **C**)

- Labour demand is derived from demand for the product the labour makes.
- So anything raising the demand for the product, or raising labour productivity, raises demand for labour.
- Cheaper capital would encourage firms to substitute machines *for* workers.

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Question 4 (Answer: **A**)

- Microeconomics studies individual markets, firms and consumers.
- Macroeconomics studies the economy as a whole – inflation, unemployment, growth.
- So a change in the cost of growing one crop is micro; the unemployment or inflation rate is macro.

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Question 6 (Answer: **C**)

- PES = percentage change in quantity supplied ÷ percentage change in price.
- Read both quantities and both prices from the table before dividing.
- Work in percentages of the *original* values, not in absolute units.

Question 9 (Answer: **B**)

- An external cost falls on a third party who is neither buyer nor seller.
- Building the airport is a private cost, paid by whoever builds it.
- The loss of natural beauty is borne by everyone else, so that is the external cost.

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Question 5 (Answer: **A**)

- A rightward shift of supply means more supplied at every price.
- That comes from lower costs, better technology, a subsidy or more firms entering.
- A leftward shift would come from higher costs or firms leaving the industry.