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A Level Economics Topic Questions / Paper 2

Topic: 1.4 Resource allocation in different economic systems

Question-1

Explain with the help of a production possibility curve diagram(s) how a decision to re-allocate resources in an economy to produce more capital goods and fewer consumer goods would affect consumers in both the short run and the long run. [8]

Question-2

Explain the functions of price in resource allocation and consider the importance of these functions in relation to the potential effectiveness of a market economy. [8]

Question-3

Explain how resources are allocated in a free market economy. [8]

Question-4

Explain how equilibrium price and equilibrium quantity change to allocate resources when there is a successful advertising campaign for a normal good. [8]

Question-5

Explain the role of profit in an economy where the price mechanism operates to allocate resources. [8]