



# Entry Test

Academic Session 2019-20

**ECONOMICS**

Total  
Marks **40**

45 min

Class: IG-II(IX)

**Write in block letters:**

Candidate Name

Date

**Kindly read the instructions carefully;**

- 1 Answers must be written in ink.**
- 2 Write the number of question distinctly before each answer.**

**FOR OFFICIAL USE ONLY**

<b>Total Marks</b>		<b>Marks Obtained</b>		<b>Percentage</b>	
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**Instructions:**

Attempt any 2 questions

1. Traffic congestion is a problem in many cities. Among the possible ways of reducing congestion are allocating more resources to building roads, taxing petrol and subsidising bus travel.
  - (a) Describe how resources are allocated in a market economy. [3]
  - (b) Explain why the social costs of car use are greater than the private costs. [4]
  - (c) Using a demand and supply diagram, analyse the effect of a tax on petrol on the market for petrol. [5]
  - (d) Discuss whether bus travel should be subsidised. [8]
  
2. A government decides to increase the number of schools it operates, leading to an increase in the demand for teachers. At the same time, the government decides to increase the qualifications that a person needs to have to become a teacher.
  - (a) Using a demand and supply diagram, analyse the effect of these two decisions on the equilibrium wage rate and the equilibrium quantity of teachers. [6]
  - (b) Describe why the earnings of teachers can change over a period of time. [4]
  - (c) Consider whether teachers working in the private sector and in the public sector are likely to receive different earnings. [4]
  - (d) Discuss whether highly-paid teachers are likely to spend more and borrow more than less well-paid teachers. [6]

3. A company produces cigarettes which it believes have a low price elasticity of demand.
- (a) Explain what is meant by price elasticity of demand. [4]
- (b) How might knowledge of price elasticity be of use to a producer? [6]
- (c) Sometimes governments do not provide goods and services but they still influence the activities of private firms. Analyse how they might do this. [10]