

# 2.2 The Role of Markets in Allocating Resources

## Question Paper

Course	CIE IGCSE Economics
Section	2. The Allocation of Resources
Topic	2.2 The Role of Markets in Allocating Resources
Difficulty	Medium

**Time allowed:** 10  
**Score:** /4  
**Percentage:** /100

### Question 1

Why might a market economy fail to achieve the best use of scarce resources?

- A. Consumers may lack information about which good to buy.
- B. Demerit goods are underconsumed.
- C. Public goods are overconsumed.
- D. Most resources are owned by the government.

[1 mark]

### Question 2

What necessarily describes the market system?

- A. an economy with both a private and public sector
- B. limited resources but unlimited wants
- C. resources are allocated through demand and supply
- D. when all resources are used to produce consumer goods

[1 mark]

### Question 3

What is a function of the price mechanism?

- A. to allocate goods and services
- B. to calculate national expenditure
- C. to ensure an equal distribution of income
- D. to guide government policy decisions

[1 mark]

**Question 4**

Who determines what goods and services are produced in a market economy?

- A. consumers
- B. employees
- C. government
- D. trade unions

**[1 mark]**