Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/11**

Paper 1 Multiple Choice **May/June 2022**

1 hour

You must answer on the multiple choice answer sheet.

You will need: Multiple choice answer sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

INSTRUCTIONS

- There are **thirty** questions on this paper. Answer **all** questions.
- For each question there are four possible answers **A**, **B**, **C** and **D**. Choose the **one** you consider correct and record your choice in soft pencil on the multiple choice answer sheet.
- Follow the instructions on the multiple choice answer sheet.
- Write in soft pencil.
- Write your name, centre number and candidate number on the multiple choice answer sheet in the spaces provided unless this has been done for you.
- Do **not** use correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

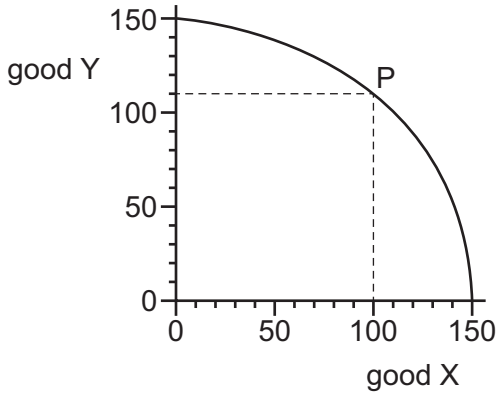
INFORMATION

- The total mark for this paper is 30.
- Each correct answer will score one mark.
- Any rough working should be done on this question paper.

This document has **12** pages. Any blank pages are indicated.

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1 The diagram shows a production possibility curve for an economy that is producing at point P.



Which quantity of X is given up to produce the quantity of Y shown?

A 40 **B** 50 **C** 100 **D** 110

2 The Indian government operates a pension scheme.

Which statement about this scheme would be classed as normative?

A To be eligible, individuals must be above the age of 60 and live below the poverty line.

B In January 2020, eligible individuals aged over 70 received 500 rupees per month.

C In 2018, the Supreme Court said the government must review pension payments because they are unrealistic.

D In January 2020, the Indian government announced that it might increase the payment to 1000 rupees per month.

3 Economics students have to fill in the gaps in the following passage.

'The three basic questions arising from the economic problem of scarcity are .....1..... to produce, ...2..... to produce, and .....3..... to produce.'

Which combination is correct?

	1	2	3
A	how	when	where
B	how	where	for whom
C	what	how	for whom
D	what	when	where

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4 What is **not** a function of money?

A It is a medium of exchange.

B It is a store of value.

C It is a unit of account.

D It is a measure of satisfaction.

5 The producer of a good with a price-elastic demand observes that a rise in its price is accompanied by a rise in total revenue.

What might explain this?

A The good is an inferior good.

B The rise in price was due to an increase in demand for the good.

C The supply of the good was inadequate to meet the demand.

D The supply of the good was price-inelastic.

6 What will increase the producer surplus of farmers that grow carrots?

A a decrease in the demand for carrots

B a decrease in the price of carrot seed

C a decrease in the price of cabbage

D a decrease in the subsidy on carrots

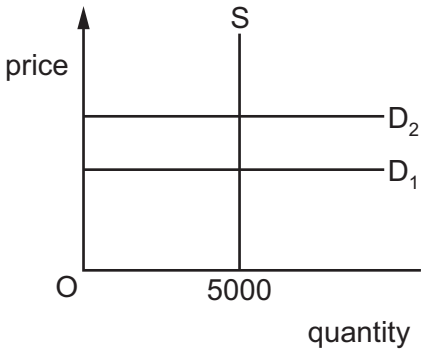
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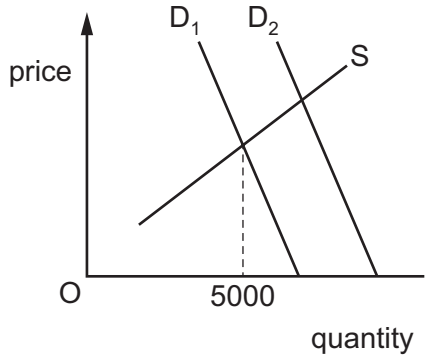
7 A popular band is due to perform at a music concert in a venue that has a 5000-seat capacity. Recent appearances and the release of a new album have made the band even more popular. D_1 and S represent the original demand and supply curves for concert tickets and D_2 the new demand curve.

Which diagram best represents the likely outcome on the market for concert tickets?

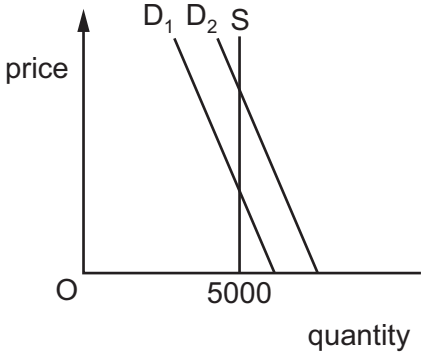
A



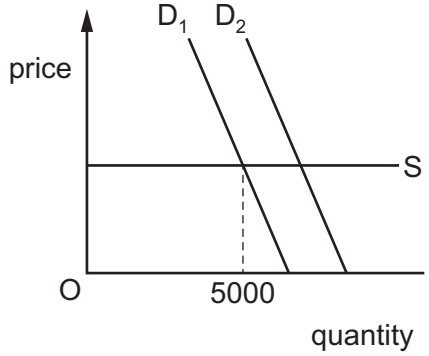
B



C



D



8 Why does an individual's demand curve generally slope downwards to the right?

A The additional satisfaction an individual gets from consuming most goods decreases as consumption increases.

B The additional satisfaction an individual gets from consumption decreases as income rises.

C The individual has finite income which is used to attempt to satisfy many wants.

D For most goods the price charged by producers falls as the quantity purchased increases.

9 What is price elasticity of supply?

A the change in the quantity supplied when a price changes

B the change in the quantity supplied when demand changes

C the comparison of the proportionate change in supply to the proportionate change in demand

D the comparison of the proportionate change in supply to the proportionate change in price

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10 What is necessary for consumer surplus to be zero?

A Demand is perfectly elastic.

B Demand is perfectly inelastic.

C Supply is perfectly elastic.

D Supply is perfectly inelastic.

11 When will the price mechanism **not** function as a system for allocating goods?

A when the government bans advertising

B when the government maintains an effective maximum price

C when there is a limited supply of the good

D when there is a powerful company able to set the market price

12 The price of a product is above the market equilibrium price.

Which combination of changes is certain to result as the market adjusts towards equilibrium?

	quantity demanded	quantity supplied
A	falls	falls
B	falls	rises
C	rises	falls
D	rises	rises

13 What can be concluded about a good with a positive cross-price elasticity of demand?

A Its price will be sensitive to changes in prices of close substitutes.

B Its price will be sensitive to changes in quantity demanded of close substitutes.

C The quantity demanded for this good will be sensitive to changes in prices of close substitutes.

D The quantity demanded for this good will be sensitive to changes in quantity demanded of close substitutes.

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14 Which row shows the effect of the maximum and minimum prices described in the headings of the table?

	maximum price above equilibrium price	maximum price below equilibrium price	minimum price above equilibrium price
A	excess demand	no effect	no effect
B	excess supply	no effect	no effect
C	no effect	excess demand	excess supply
D	no effect	excess supply	excess demand

15 A government decides to introduce tolls (charges) to drive on all major roads.

What is **most** likely to happen to the number of journeys made on major roads and on minor roads?

	journeys on major roads	journeys on minor roads
A	reduce	increase
B	reduce	no change
C	no change	increase
D	no change	no change

16 The table shows data from a bus company that was privatised in 2013.

year	revenue $000	passenger journeys percentage change from previous year (%)
2012	470	+5
2013	495	+2
2014	430	–2
2015	440	–1

What is the most likely conclusion that can be made from the data?

A Average prices were higher in 2012 than 2015.

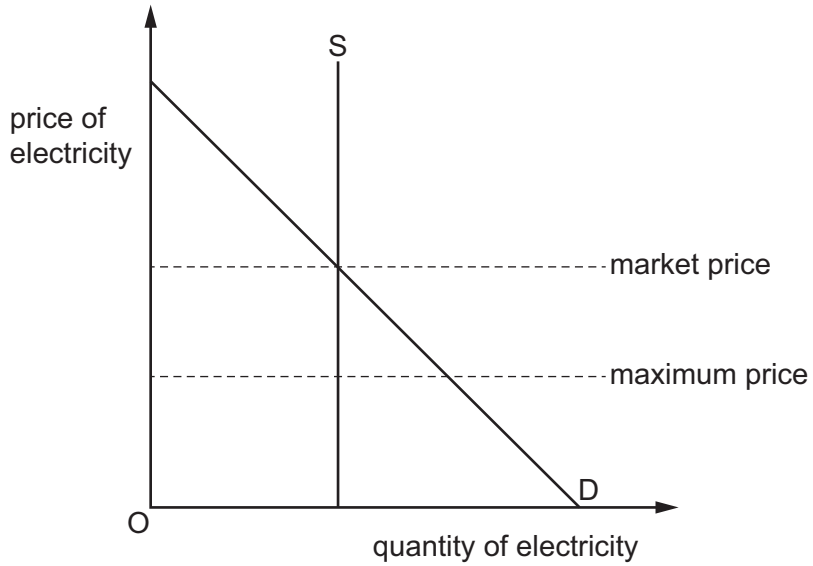
B Average prices were higher in 2015 than 2014.

C The number of passenger journeys remained the same since privatisation.

D Profits have increased since privatisation.

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17 The diagram shows the market for electricity in a country that has a fixed supply of electricity and introduces a maximum price to make it affordable for poorer households.



What will be the effect of this?

A It will encourage producers to build more power stations in the future.

B It will encourage the development of renewable sources of electricity.

C It will increase producer surplus.

D It will increase the probability of power cuts.

18 What is an example of a transfer payment?

A government spending on hospitals

B government spending on motorways

C minimum wage

D welfare benefits

19 Turkey can produce a good but also imports some of the good from Egypt. The Turkish currency depreciates against the Egyptian currency.

How is this most likely to affect production of this good in Egypt and in Turkey?

	production in Egypt	production in Turkey
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

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20 The table shows a country's total output and its average price in each of three years.

year	output (millions)	price ($)
1	10	20
2	12	24
3	13	26

What can be concluded about output?

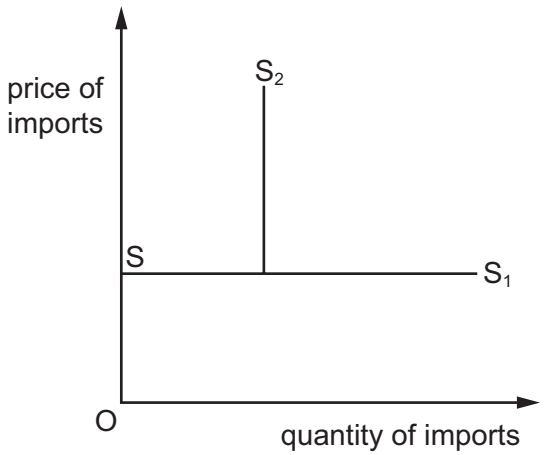
A Nominal output and real output increased at the same rate.

B Nominal output rose at a faster rate than real output.

C Nominal output rose at an increasing rate.

D Real output rose at a constant rate.

21 The diagram shows the change in the supply curve of imports, $S–S_1$ to curve $S–S_2$, after the introduction by the government of a trade protection measure.



What is the form of protection?

A an *ad valorem* tariff

B an embargo

C a quota

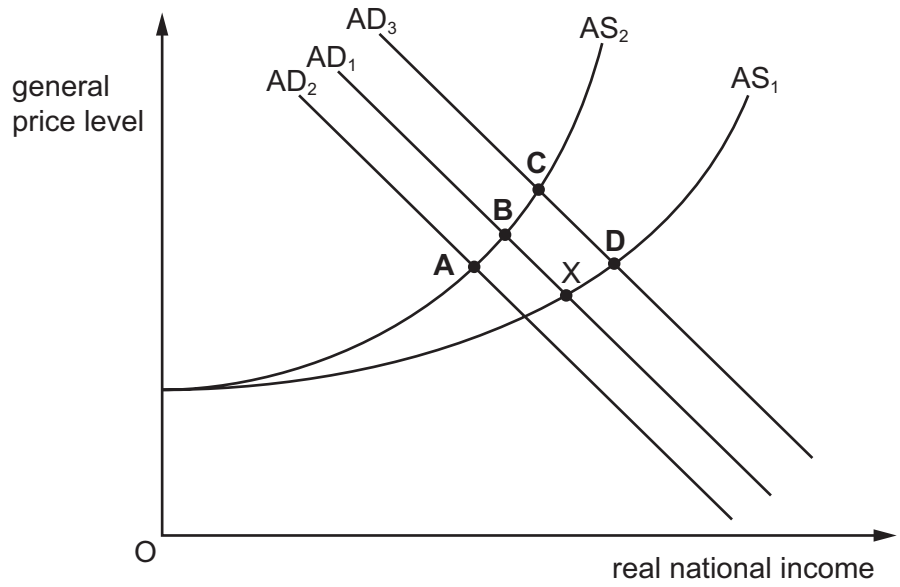
D a specific tariff

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22 The aggregate demand (AD) and aggregate supply (AS) diagram shows an economy in equilibrium at X.

In this economy, a severe shortage of raw materials causes a large rise in their price.

The effect of this change is shown by a move to which point?



23 Why might a country's government impose a tax on fuel exports?

A to encourage domestic refineries to increase production

B to improve the country's trade balance

C to reduce fuel prices for domestic consumers

D to reduce the government's budget surplus

24 What leads to a fall in a country's terms of trade?

A a fall in the price of exports relative to the price of imports

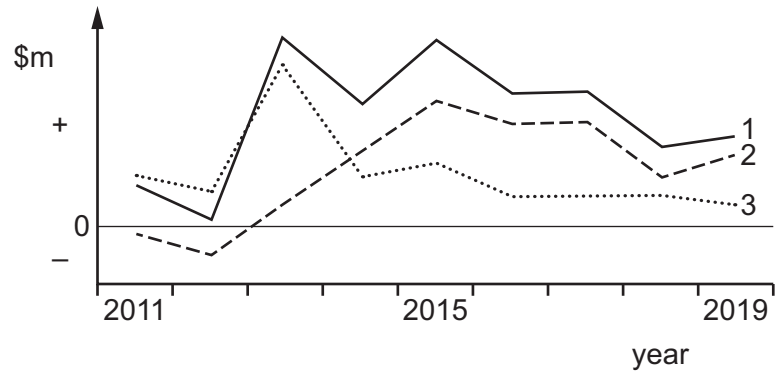
B a fall in the price of imports relative to the price of exports

C a fall in the quantity of exports relative to the quantity of imports

D a fall in the quantity of imports relative to the quantity of exports

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25 The diagram has three lines that show the values of an economy's exports, imports and trade balance between 2011 and 2019.



How should the lines be labelled?

	line 1	line 2	line 3
A	exports	imports	trade balance
B	exports	trade balance	imports
C	imports	exports	trade balance
D	imports	trade balance	exports

26 What would be the best policy to increase the value of a currency?

A Impose tariffs on imported goods with price-inelastic demand.

B Increase interest rates.

C Reduce income tax.

D Sell the currency on the foreign exchange markets.

27 The central bank of an economy decides to raise interest rates in order to attract capital inflows and improve the financial account of the balance of payments.

When is the central bank's decision **least** likely to be effective?

A when the currency of the economy is expected to lose its value

B when the economy is politically and economically stable

C when the interest rate of the economy is higher than that of other countries

D when the reserves of foreign currencies held by the central bank are high and rising

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28 What could be described as an expansionary fiscal policy?

A a decrease in the budget deficit

B a decrease in the budget surplus

C a decrease in the exchange rate

D a decrease in the money supply

29 Why will a contractionary monetary policy reduce inflation?

A Banks will lend more.

B Consumers will have higher disposable income.

C Consumers will pay more tax.

D Consumers will save more.

30 The government of a country is worried about a large deficit on the current account of its balance of payments and an increasing rate of inflation. The country has a fixed exchange rate for its currency.

Which policy measure is **most** likely to help the government to reduce the current account deficit and lower the rate of inflation?

A devaluation of the currency

B increasing government spending

C decreasing the direct taxes

D increasing the interest rate

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