Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/11**

Paper 1 AS Level Multiple Choice **May/June 2023**

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.

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1 What is 'a produced means of further production'?

A capital

B enterprise

C labour

D land

2 A hospital management board decides to reallocate $800 000 from its $1.2m new buildings budget to spend on cancer care.

What is the opportunity cost of this decision?

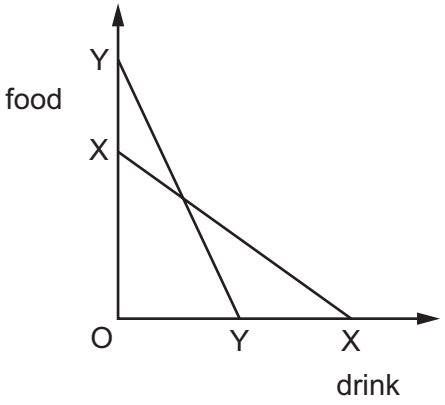
A a cost of $400 000

B a cost of $800 000

C the cost of healthcare for cancer patients

D the loss of some new buildings

3 The diagram shows the change in a country's production possibility curve from XX to YY.



What would explain this change?

A Consumers chose to consume more food and less drink.

B Government taxed food production and subsidised drink production.

C Productivity rose in food production and fell in drink production.

D There were more imports of food and more exports of drink.

4 A factory manufactures chairs. The manufacturing process is divided into a number of tasks.

What is a likely **disadvantage** of this division of labour?

A decrease in motivation

B decrease in output

C decrease in productivity

D decrease in quality of the final product

5 Which row correctly describes the relationship between two goods implied by the value of the cross elasticity of demand?

	value of the cross elasticity of demand	description
A	–2.0	weak complements
B	–0.5	weak substitutes
C	+0.5	weak substitutes
D	+2.0	strong complements

6 What does consumer surplus measure?

A the excess profit earned by the producer of a good

B the opportunity cost to the consumer of not buying a good

C the price the marginal consumer is willing to pay for a good

D the consumer's gain from purchasing a good at a price below what they are willing to pay

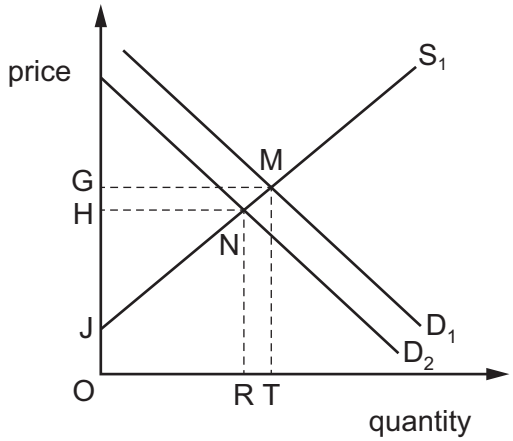
7 When the price of good X is $2.00, the quantity supplied is 100 000. The price elasticity of supply of good X is 0.8 in the short run and 1.4 in the long run. The price of good X increases to $2.20.

What is the increase in the quantity supplied of good X between the short run and the long run?

A 6000 **B** 60 000 **C** 114 000 **D** 140 000

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8 The diagram shows the European market for diesel fuel and the original equilibrium is at M.



Europeans want low-emission cars and therefore the demand for diesel fuel has decreased from D_1 to D_2.

Which area represents the new producer surplus for companies supplying diesel fuel?

A GMNH **B** JGM **C** JHN **D** JNR

9 In which situation is the demand for a product said to be price elastic?

A The quantity demanded responds to a change in price.

B An increase in price brings about a decrease in the quantity demanded.

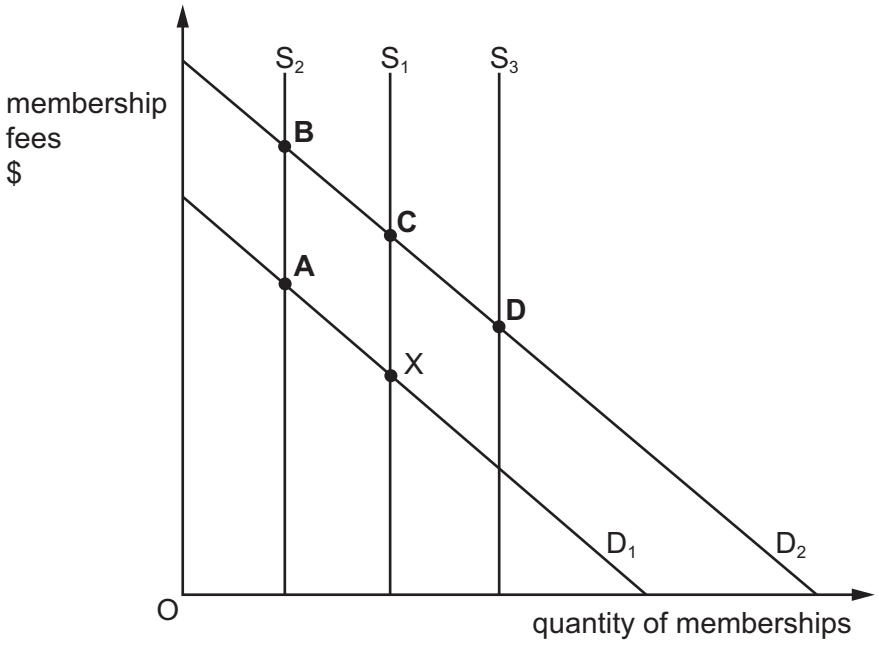
C An increase in price induces consumers to spend more on the product.

D A decrease in price brings about an increase in revenue.

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10 Golf club membership fees in Singapore have risen as a result of restrictions on travel to cheaper golf courses in neighbouring countries and the closure of some local courses. The supply of golf club memberships is determined by the current number of courses.

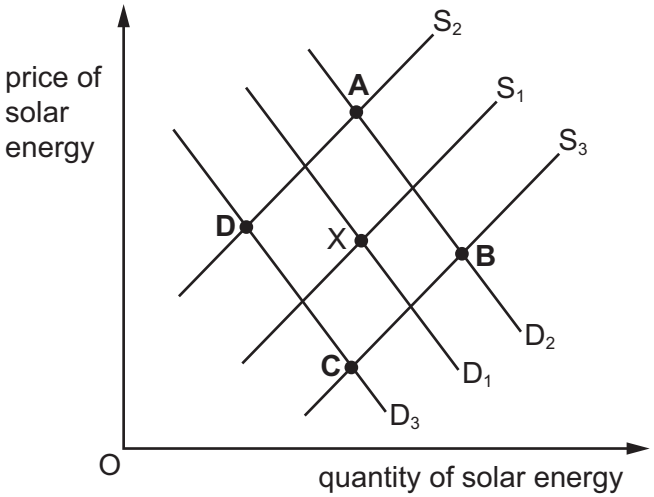
If the original equilibrium was at X, which point shows the result of these changes?



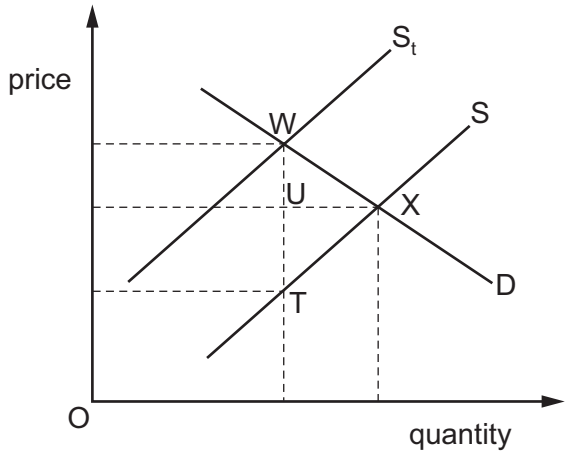
11 The diagram shows the demand and supply curves for solar energy in India. The initial equilibrium point is at X.

The Indian government increases the subsidy to solar energy producers. At the same time, there is a rise in the price of alternative sources of energy.

What is the new equilibrium position?



12 A specific tax is placed on the sale of bottles of lemonade. In the diagram, S is the supply curve before imposition of the tax and S_t is the supply curve after tax.



Which distance represents the specific tax on each bottle?

A UT **B** WT **C** WU **D** WX

13 Demand for medical face masks exceeds supply during a disease outbreak.

What is the most likely cause of this excess demand?

A Some consumers do not have effective demand.

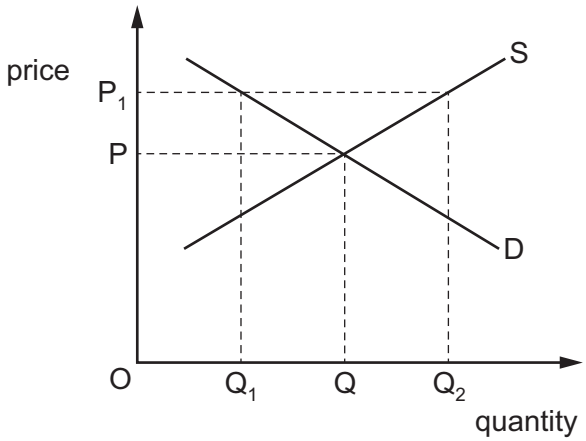
B The demand for medical face masks is price inelastic in the short run.

C The price of medical face masks is fixed below the equilibrium price.

D The supply of medical face masks is inelastic in the short run.

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14 The diagram shows the demand and supply curves for a good.



The government fixes a maximum price of OP_1.

What would happen?

A Consumers would have to be rationed to quantity OQ_1.

B The government would have to introduce a subsidy of PP_1.

C The market equilibrium quantity OQ would be demanded and supplied.

D The supply of quantity OQ_2 would be guaranteed.

15 Which statement correctly describes absolute advantage?

A It is when a country has a higher opportunity cost in producing a good than another country.

B It is when a country has a lower wage cost in producing a good than another country.

C It is when the relative prices of exports of a country are greater than the relative prices of its imports.

D It is when a country's output of a good is greater per unit of resource than another country.

16 The table shows the income and wealth of Yasmin.

items	$
children's welfare benefits	1 000
dividends from shares	1 000
property owned	40 000
savings in bank	1 000
shares	2 000
wages	10 000

What is the value of Yasmin's wealth?

A $41 000 **B** $43 000 **C** $44 000 **D** $45 000

17 Which group is most likely to suffer during high inflation?

A borrowers

B importers

C producers

D fixed wage earners

18 Which statement explains why the aggregate demand curve is downward sloping?

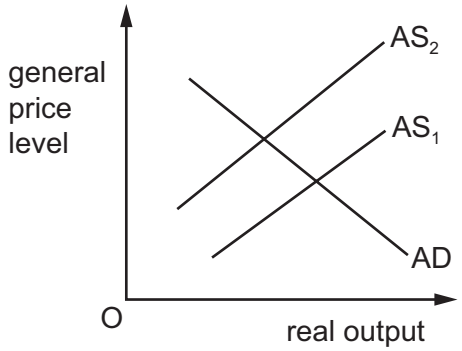
A As prices fall, the demand for exports becomes more elastic.

B As prices fall, fewer goods are imported.

C As prices fall, the rate of interest will rise.

D As prices fall, real wealth rises and so spending increases.

19 The diagram shows the aggregate demand (AD) and aggregate supply (AS) for an economy.



Which changes in subsidies and indirect taxes would have caused the change from AS_1 to AS_2?

A higher subsidies and higher indirect taxes

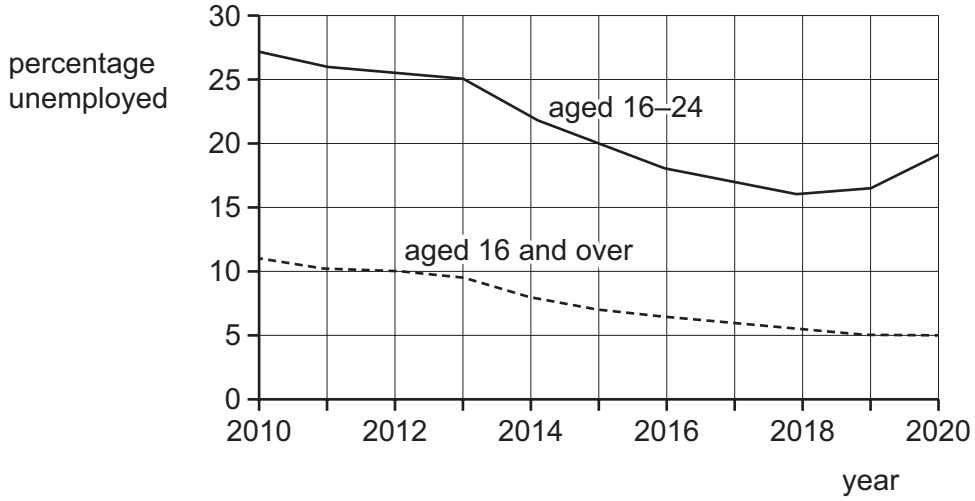
B higher subsidies and lower indirect taxes

C lower subsidies and higher indirect taxes

D lower subsidies and lower indirect taxes

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20 The graph gives the percentage unemployed for all people aged 16 and over, and for young people aged 16–24.



What is the consequence for consumer expenditure on products consumed by the 16–24 age group over the period 2010–2020?

A a fall in consumer expenditure across the whole period

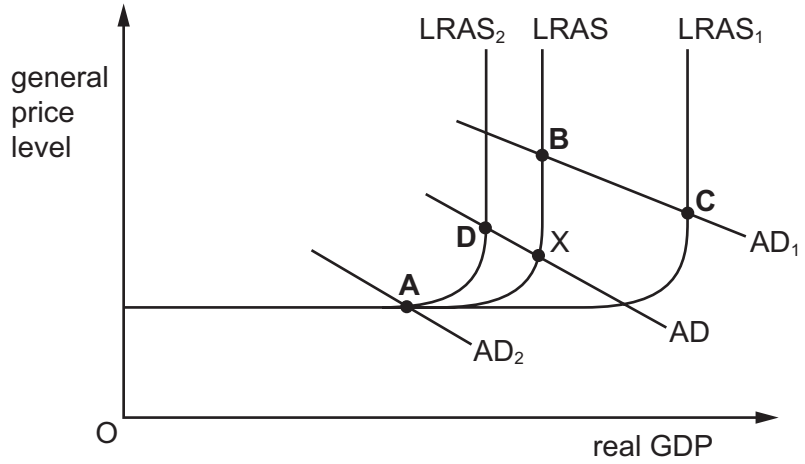
B an initial fall in consumer expenditure followed by a rise

C an initial rise in consumer expenditure followed by a fall

D a rise in consumer expenditure across the whole period

21 In the diagram, the intersection of AD and LRAS at point X represents the current macroeconomic equilibrium.

Which point could represent the new equilibrium after the introduction of an increase in the retirement age?



22 The table shows data on the Japanese balance of trade in goods.

year	exchange rate yen / dollar	exports $bn	imports $bn
2016	109	635	585
2017	111	689	645

What can be concluded from this data?

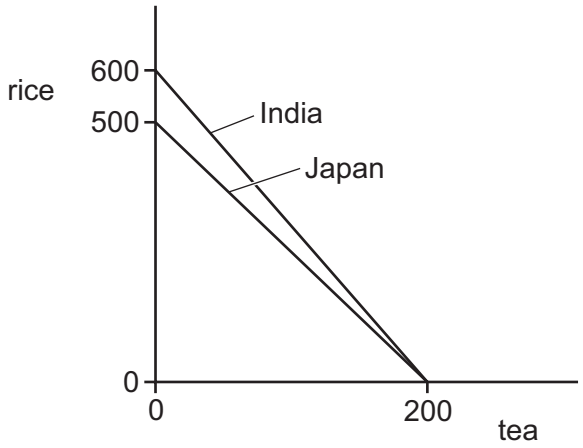
A The demand for Japanese exports was price inelastic.

B The Japanese current account was in surplus.

C The majority of Japanese imports were essential goods.

D The Marshall–Lerner condition for Japan is greater than 1.

23 The diagram shows production possibility curves for two countries, India and Japan.



Which combination of outputs would be achieved if each country specialised in the product in which it has a comparative advantage?

	rice	tea
A	600	200
B	600	500
C	1200	200
D	1200	1000

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24 A country's currency has depreciated against all the currencies of its main trading partners.

How will the depreciation affect its terms of trade?

A The terms of trade will improve.

B The terms of trade will not change.

C The terms of trade will worsen.

D The terms of trade will worsen only if the depreciation causes inflation.

25 A country with a floating exchange rate experiences a large surplus on the current account of its balance of payments.

What is likely to decrease as a consequence?

A the exports of capital from the country

B the level of employment in the country

C the prices of imports into the country

D the value of the country's currency

26 Which measure is aimed directly at promoting international trade?

A decreasing existing quotas

B increasing interest rates

C subsidies paid to export industries

D wage subsidy schemes during recessions

27 What would be classified as a supply-side policy measure?

A a law to reduce the power of trade unions

B a reduction in the government's fiscal deficit

C an open market sale of securities

D the imposition of a tariff on imported goods

28 What is the equivalent of a country's national debt?

A the accumulated borrowing of the government

B the difference between government spending and taxation

C the interest paid by the government on all the money it owes

D the total money owed by all households in the country

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29 A country experiences a fall in the value of exports and an increase in the value of imports of goods and services.

What are the effects of these changes?

	aggregate demand	balance of payments on goods and services
A	fall	improve
B	fall	worsen
C	rise	improve
D	rise	worsen

30 A government orders its central bank to buy its domestic currency on the foreign exchange markets in the belief that this will improve the balance of payments.

What does this suggest?

A Demand for the country's exports is price inelastic.

B The country's Marshall–Lerner condition is greater than 1.

C The government has a budget deficit.

D The overall balance of payments is in surplus.

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