Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/12**

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 Which factor of production is needed first in order to set up a new business?

A capital

B enterprise

C labour

D land

2 Assuming nothing else changes, which change in an economy's labour market will cause the production possibility curve to shift to the left?

A an increase in worker immigration

B an increase in the retirement age

C an increase in labour productivity

D an increase in the school leaving age

3 What is **not** a characteristic of a mixed economy?

A The government has no role in setting prices.

B The government manages taxation rights.

C The government prevents firms from earning excessive profits.

D The government provides services not provided by the private sector.

4 What is **not** likely to result from the use of division of labour?

A a decrease in average costs

B an increase in motivation

C an increase in productivity

D an improvement in quality of the final product

5 Price plays a number of functions in the allocation of resources.

Which statement best illustrates the function that relies upon consumer choice (sometimes known as the incentivising function)?

A A price fall can show consumers that a good is becoming less popular.

B A price fall tends to persuade some producers not to stay in the market for the good.

C A price rise means consumers cannot afford to buy so much of a good.

D A price rise tends to reduce competitiveness in the market for a good.

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6 Which pair of products are substitutes both in consumption and production?

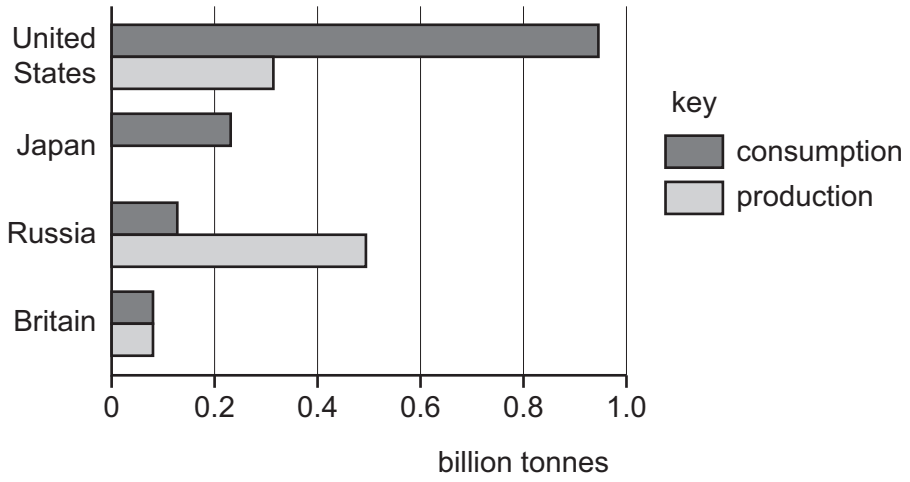
A barley and cotton

B gold and silver

C soap and toothpaste

D spinach and cabbage

7 There is a worldwide shortage of oil. The diagram shows the consumption and production of oil (billion tonnes) for selected countries.



What can be concluded from the diagram?

A In Britain, oil has zero opportunity cost.

B In Japan, there is self-sufficiency in oil.

C In Russia, there is no shortage of oil.

D In the United States, rationing is the only solution to oil shortage.

8 The cross elasticity of demand between bus travel and rail travel is +2. A rise in the price of bus fares caused the demand for rail travel to rise by 10%.

Which change in bus fares would have caused this?

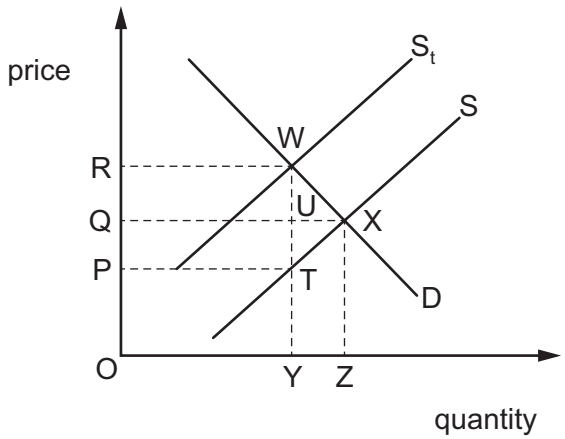
	from (cents)	to (cents)
A	20	21
B	30	33
C	40	45
D	50	60

9 A change in the price of a good causes an increase in the quantity of the good demanded.

What would be the nature of the good and the direction of price change for this to be certain to happen?

	nature of good	price change
A	inferior	fall
B	inferior	rise
C	normal	fall
D	normal	rise

10 A specific tax is placed upon each bottle of perfume sold. In the diagram, S is the supply curve before tax, S_t is the supply curve after tax.

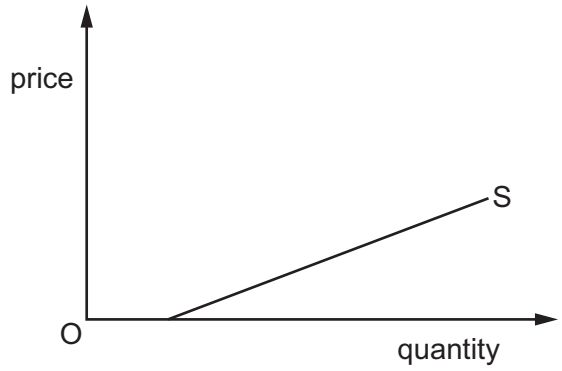


Which area represents that part of the tax revenue paid by producers?

A ORWY **B** PQUT **C** PRWT **D** QRWU

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11 The diagram shows the supply curve of a firm.



Which statement about the price elasticity of supply (PES) along this curve is correct?

A PES is greater than unity at all points along the supply curve.

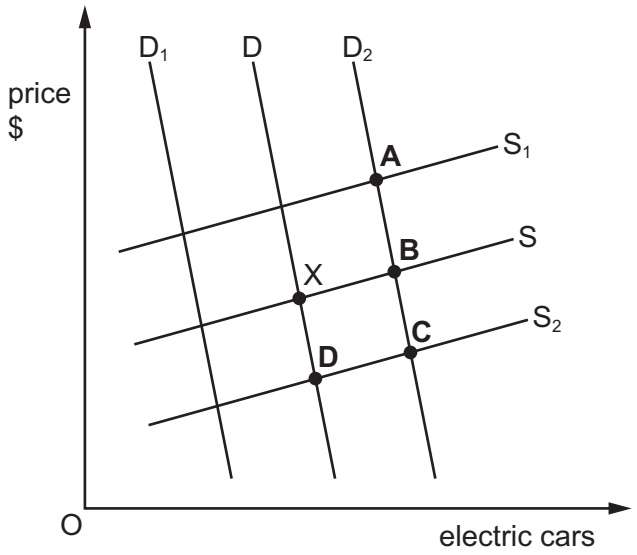
B PES is the same at all points along the supply curve.

C PES is elastic when the price is low and becomes more inelastic when the price rises.

D PES rises when the supply rises.

12 The diagram shows the market for electric cars with X as the initial equilibrium.

What will be the new equilibrium when the price of electric car batteries falls and consumers become more environmentally aware?



13 What would cause a market disequilibrium?

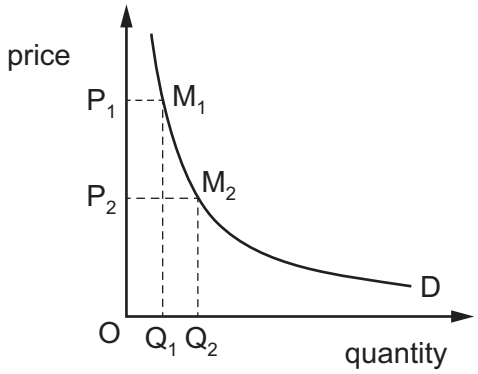
A when a decrease in the demand for a product leads to a price fall that results in some producers leaving the market

B when a decrease in the demand for a product leads to some producers being unable to sell products at the current price

C when a decrease in the supply of a product leads to a price rise that results in the market for the product clearing

D when a decrease in the supply of a product leads to a price rise that makes it too expensive for some poorer households

14 In the diagram, area $OP_1M_1Q_1$ is equal to area $OP_2M_2Q_2$.



What is the value of the price elasticity of demand if the price is halved from P_1 to P_2?

A –1

B –0.5

C zero

D infinity

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15 The table shows changes in a consumer's expenditure on various goods when her income increases from $20 000 to $24 000.

good	income $20 000: amount spent on good ($)	income $24 000: amount spent on good ($)
W	100	96
X	100	100
Y	200	224
Z	200	248

Assuming all else remains unchanged, for which goods is the consumer's income elasticity of demand greater than 1.0?

A W, Y and Z

B W and Z only

C W only

D Z only

16 Which combination of government measures is most likely to increase the consumption of a merit good?

A setting an effective maximum price on the product and paying producers a subsidy

B setting an effective maximum price on the product and imposing an indirect tax on producers

C setting an effective minimum price on the product and paying producers a subsidy

D setting an effective minimum price on the product and imposing an indirect tax on producers

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17 The table contains some figures from the balance of payments account of the United States (US) for a given year.

	US$ million
exports of goods	1 632 639
balance of trade in goods	–741 462
imports of services	477 428
balance of trade in services	233 138

What **cannot** be concluded about US trade from the table?

A Exported services were valued at over US$477 428.

B Imported goods were valued at over US$1 632 639.

C The value of exported services was less than the value of exported goods.

D There was an overall current account deficit.

18 Which change is shown directly by the use of aggregate demand and aggregate supply analysis?

A the nominal income level

B the price level

C the unemployment level

D the wage level

19 Why might aggregate demand increase when a country's price level falls?

A Domestic interest rates will tend to fall.

B Imports become more price competitive.

C Real incomes fall.

D The purchasing power of savings falls.

20 What is used to convert nominal GDP to real GDP?

A exchange rates

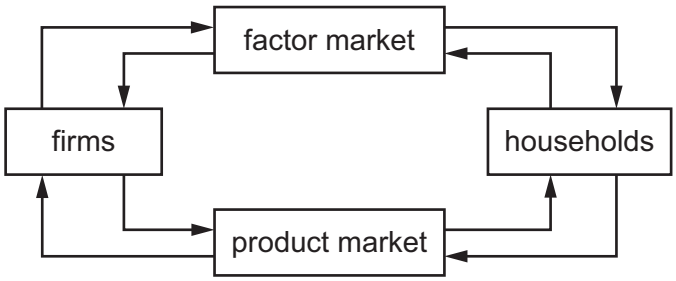
B changes in the price level

C interest rates

D taxation

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21 The diagram shows a basic two-sector circular flow of income.



What can be concluded about the direction of flows?

A Consumer expenditure flows anticlockwise.

B Goods and services flow clockwise.

C Incomes flow anticlockwise.

D Resources flow anticlockwise.

22 The table shows the types of unemployment and their possible solutions.

Which combination is **not** correct?

	type of unemployment	possible solution
A	technological	introduce minimum wage legislation
B	cyclical	raise government spending
C	frictional	increase advertising of job vacancies
D	structural	retrain workers

23 Which combination of policies would be most effective in reducing a balance of payments current account surplus?

	a decrease in tariffs on imports	a devaluation of the exchange rate	an expansionary monetary policy
A	no	yes	no
B	no	no	yes
C	yes	no	yes
D	yes	yes	no

24 If a country is experiencing a period of high inflation, which groups will benefit the most from this?

	companies that export the majority of their output	fixed income earners	those with high debts
A	yes	yes	no
B	no	yes	yes
C	yes	no	no
D	no	no	yes

25 What will definitely change a country's terms of trade?

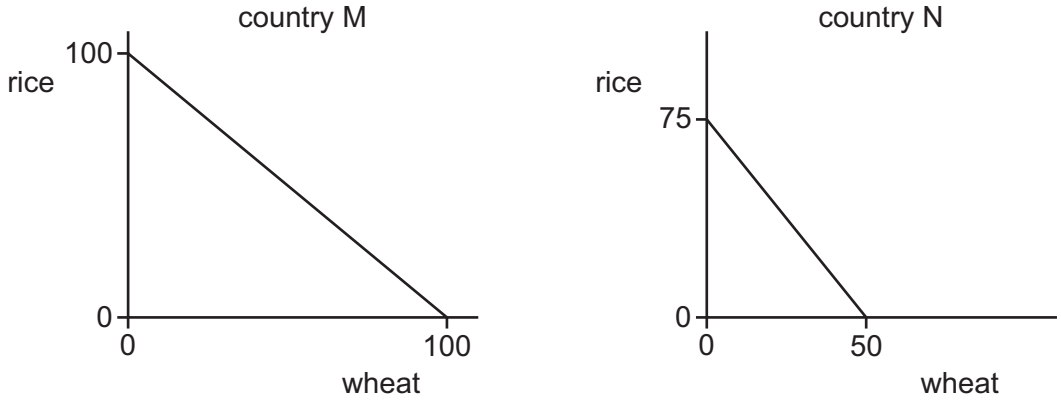
1 when the price of imported raw materials increases

2 a change in inflation rates

3 an appreciation of the exchange rate

A 1, 2 and 3 **B** 1 and 2 only **C** 1 and 3 only **D** 2 and 3 only

26 The world consists of two countries, M and N. The graphs show their production possibilities for wheat and rice.



Countries M and N operate on their production possibility curves and, before specialisation, country M produces 60 units of wheat and country N produces 30 units of wheat.

What will be the change in the world output of **rice** if both countries decide to specialise according to comparative advantage?

A It will fall by 5 units.

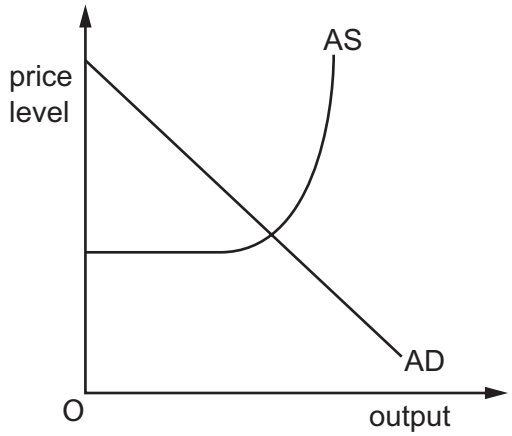
B It will fall by 30 units.

C It will rise by 5 units.

D It will rise by 30 units.

27 The diagram shows the current equilibrium of an economy.

The government introduces a contractionary monetary policy.



What is the most likely outcome?

A a fall in investment and a fall in inflation

B a fall in investment and a rise in inflation

C a rise in investment and a fall in inflation

D a rise in investment and a rise in inflation

28 A government wishes to reduce the deficit on the secondary income section of its current account.

Which policy would be most effective?

A an increase in subsidies to exporters

B an increase in the tariffs on imports

C a reduction in the number of migrant workers allowed into the country

D a reduction in overseas aid donations

29 Supply-side policies can be used to correct cost-push inflation.

Which policy would best achieve this aim in the long run?

A allowing trade unions to maintain work practices irrespective of productivity

B encouraging workers to work extra hours for extra pay

C increasing total labour supply by employing more unskilled workers

D supporting the replacement of labour-manned machines by the use of robots

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30 Economic growth leads to increased levels of income and consumption per capita for the adult population.

Which circumstances are needed for this to happen in an economy?

A a change in technology that maintains the same level of output

B an increase in economic efficiency through higher productivity of factor inputs

C a policy of progressive taxation to reduce inequalities

D a rise in the size of the working population due to immigration

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