Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/13**

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. Any blank pages are indicated.

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1 People plant flowers in a local park.

Which statement is correct?

A Flowers in parks are a public good because people can enjoy them at no charge.

B Flowers in parks are a public good because they are owned by local people and are not for profit.

C Flowers in parks are not a public good if local people can limit the number of visitors to the parks.

D Flowers in parks are not a public good if they are individual, not identical, in nature.

2 A government decides that all non-essential businesses must close for three months due to a disease pandemic.

What is an opportunity cost of this policy?

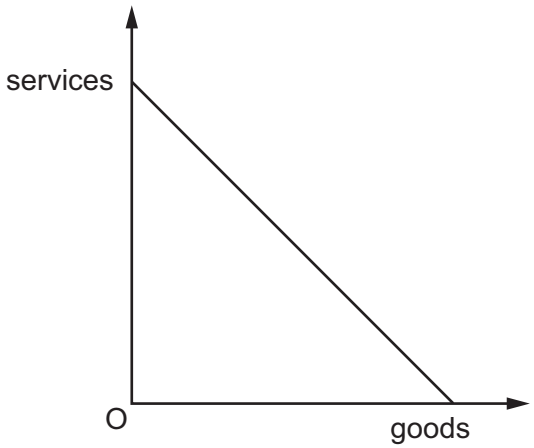
A increased leisure time for employees

B lives that are saved due to reduced disease levels

C the production of goods by essential businesses

D the loss of goods from the closed businesses

3 The diagram shows an economy's production possibility curve. The economy produces combinations of goods and services using all available resources.



What does the production possibility curve indicate for goods and services?

A constant returns to scale in the production of both goods and services

B diminishing returns to scale in the production of both goods and services

C increasing returns to scale in the production of both goods and services

D infinite returns to scale in the production of both goods and services

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4 Which economic conditions are likely to encourage an increase in enterprise?

	interest rates	profit tax	consumer confidence	unemployment
A	high	high	high	high
B	high	low	low	high
C	low	low	high	low
D	low	low	low	low

5 When is the price elasticity of demand for a product most likely to be price elastic?

A A large percentage of income is spent on the product.

B It is measured in the short run.

C It is a necessity product.

D There are few substitutes available.

6 What is most likely to cause a shift in the supply curve for rice?

A a change in the price of the rice

B a change in the price of meat

C a change in the size of the rice industry

D a change in tastes and preferences for rice

7 A free market is in disequilibrium with a shortage of a product.

As the market moves towards equilibrium, what will happen to the price, the quantity demanded and the quantity supplied?

	price	quantity demanded	quantity supplied
A	decrease	decrease	increase
B	decrease	increase	decrease
C	increase	decrease	increase
D	increase	increase	decrease

8 What would **not** cause a shift in the demand curve for a good?

A a change in the price of a complement

B a change in the price of a substitute

C a change in the price of the good itself

D a change in consumers' incomes

9 What does joint supply mean?

A A firm can choose between producing a range of different goods.

B A good has multiple uses.

C A good is a by-product of the production process of another good.

D Consumers consider two goods as complements.

10 When the price of a firm's product falls by 5%, its total revenue also falls by 5%.

What describes the product's price elasticity of demand?

A elastic

B infinite

C unitary

D zero

11 The table shows how an individual's weekly consumption of biscuits and coffee varies with income.

income ($)	biscuits (packs)	coffee (cups)
100	0	5
150	5	10

Which statement about the income elasticity of demand over the range of income shown is correct?

A For biscuits it is greater than 1.

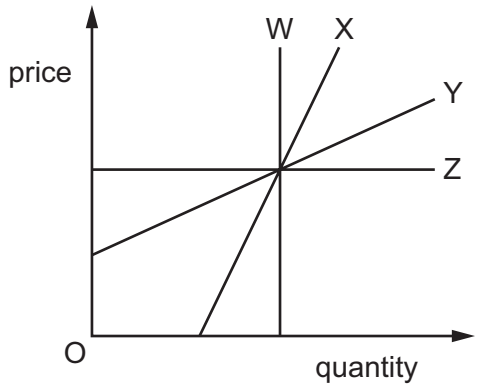
B For biscuits it is zero.

C For coffee it is less than 1.

D For coffee it is unitary.

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12 The diagram shows four supply curves.



Which statement about the price elasticity of these supply curves is correct?

A W has elasticity of 0 that will rise as price rises.

B X has elasticity greater than 1 that will be constant as price rises.

C Y has elasticity greater than 1 that will fall as price rises.

D Z has elasticity of 0 that is constant as quantity rises.

13 Product X has a price elasticity of supply (PES) of +2, whilst product Y has a PES of +0.2.

Which statement about products X and Y is correct?

A X has more substitutes than Y.

B A 20% price fall would lead to a greater decrease in production of Y than of X.

C After a price rise, it is more difficult to increase Y's output than X's.

D After a price fall of 10%, more people would buy X than would buy Y.

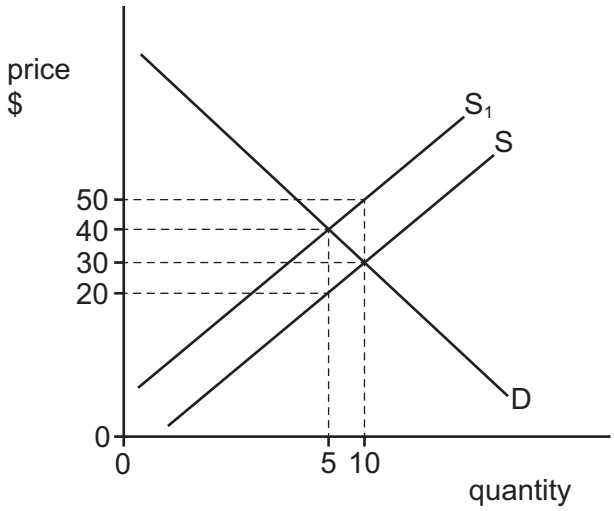
14 There are 10 000 tickets available to watch a sports final at a national stadium. The initial market equilibrium ticket price is $20. The government decides to fix an effective minimum price for the tickets.

Under which conditions will the consumer surplus for the tickets decrease the most as a result of the minimum price?

	minimum price level $	price elasticity of demand for tickets
A	18	–0.5
B	18	–1.5
C	22	–0.5
D	22	–1.5

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15 The diagram shows the impact of a government imposing a unit tax on a demerit good. S is the supply curve before the tax and S_1 is the supply curve after the tax.



What is the after-tax revenue of the firm producing the demerit good?

A $100 **B** $200 **C** $300 **D** $500

16 A government has a policy aim of reducing income inequality. It considers three policies.

Which combination of policies would be most effective?

	an increase in the marginal rate of tax from 40% to 50%	an increase in the minimum wage	a subsidy on battery-powered cars which cost over $40 000
A	yes	no	no
B	yes	yes	no
C	yes	no	yes
D	no	yes	no

17 A Bangladeshi citizen is employed as a construction worker in Qatar. He sends some of his wages to his family in Bangladesh.

How will this be recorded on Qatar's balance of payments?

A as part of the balance of trade in services

B as part of net primary income

C as part of net secondary income

D as part of the financial account

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18 The table gives data for an economy.

	2010	2011	2012	2013	2014
Gross Domestic Product (GDP) at current prices ($ billion)	200	220	240	300	320
GDP deflator (price index)	100	109	125	149	154

In which year did real GDP decline compared with the previous year?

A 2011 **B** 2012 **C** 2013 **D** 2014

19 Which policy is most likely to help to correct an adverse balance on the current account of the balance of payments?

A abolishing tariffs

B depreciating the currency

C reducing direct taxes

D reducing indirect taxes

20 In year 1, a country's real GDP was $500 billion. In year 2, nominal GDP rose to $577.5 billion and the prices increased by 5%.

What is the real GDP in year 2?

A $4.76 billion **B** $5 billion **C** $476 billion **D** $550 billion

21 The table gives details of national income statistics for an economy.

	US$bn
consumption	2000
investment	500
government expenditure	600
net exports	–100
net foreign factor income	–200
depreciation	100

What is the net national income for this economy?

A US$2700bn **B** US$2800bn **C** US$2900bn **D** US$3000bn

22 The table shows the relative price of exports compared with imports expressed as an index number for an economy (2013 = 100).

date	index
2013	100
2014	97
2015	95

Which statement about the period 2013–2015 is correct?

A Export prices have increased each year.

B The general level of prices has fallen.

C The terms of trade have deteriorated.

D The volume of imports increasingly exceeds the volume of exports.

23 Country X and country Y each allocate half of their resources towards the manufacturing of shoes, and the other half towards the manufacturing of t-shirts. Resources can be used equally effectively in the production of both products in both countries.

The table shows the output of shoes and t-shirts produced by both countries using half their resources in each case, before specialisation.

country	shoes	t-shirts
X	4 000	12 000
Y	2 000	8 000
total	6 000	20 000

What can be concluded from the data?

A The opportunity cost of country Y producing two shoes is four t-shirts.

B The opportunity cost of country X producing one t-shirt is four shoes.

C The total output of shoes and t-shirts after specialisation would be 24 000.

D The total output of shoes and t-shirts after specialisation would be 28 000.

24 Which government action is **least** likely to prevent a fall in economic growth?

A additional controls on commercial banks' lending

B relaxation of rules for immigration of adult population

C removal of trade barriers on import of raw materials

D training and education of workforce

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25 What is the most likely cause of an outward shift of a country's aggregate demand curve?

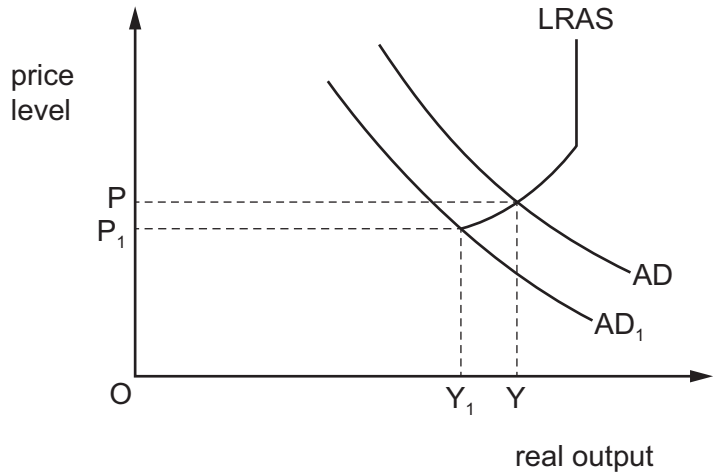
A a decrease in the competitiveness of domestically produced products

B a decrease in the general price level

C a decrease in the money supply

D a depreciation of the country's exchange rate

26 The diagram shows the macroeconomic equilibrium output and price level changing from Y and P to Y_1 and P_1.



What could have caused this change?

A a decrease in exports

B a decrease in labour productivity

C an increase in the government's spending

D an increase in the money supply

27 A country had a current account surplus of $141bn.

Which policy may its government implement to reduce this surplus in the short run?

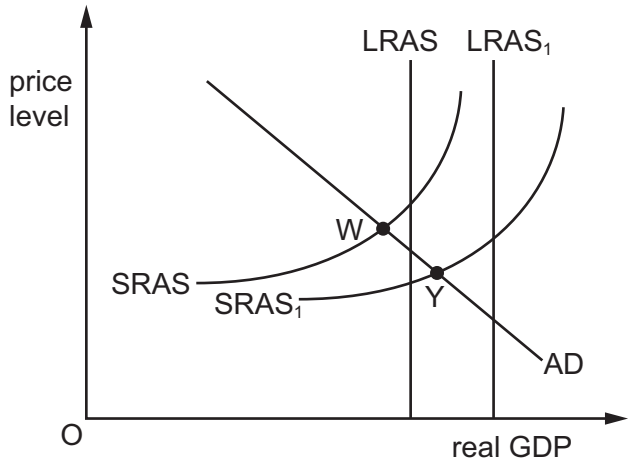
A a decrease in direct taxes

B a decrease in regulations to encourage more foreign firms to locate in this country

C an increase of import duties

D an increase in interest rates

28 The diagram shows aggregate demand (AD) and aggregate supply in the short run (SRAS) and the long run (LRAS).



Which row is correct in causing a shift in the short run aggregate supply from SRAS to $SRAS_1$ and the long run aggregate supply from LRAS to $LRAS_1$?

	shift from SRAS to $SRAS_1$	shift from LRAS to $LRAS_1$
A	change in AD from W to Y	increase in population
B	decrease in raw material costs	improvements in the education of workers
C	decrease in wage rates	decrease in immigration
D	increase in availability of labour	increase in labour productivity

29 The diagram shows that the imposition of a tariff raises a product's world price from \$10 to \$14.



By how much did domestic producers' income increase as a result of the tariff?

A \$120 million **B** \$160 million **C** \$220 million **D** \$280 million

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30 Which approach would a government be most likely to use to eliminate deflation?

A an increase in direct taxes

B an increase in interest rates

C a reduction in indirect taxes

D a reduction in its budget surplus

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