Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/11**

Paper 1 AS Level Multiple Choice **May/June 2024**

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 A worker earns $40 per hour. Rather than work, she decides to visit a museum for three hours. The visit costs a total of $40.

What is the opportunity cost of visiting the museum?

A $40 **B** $80 **C** $120 **D** $160

2 The nature of a typical car assembly plant has changed. The industry has fewer firms, operates on larger sites and has more automated machinery.

How is this change most likely to have affected the relative use of factors of production in the industry?

	increased relative use	decreased relative use
A	capital and enterprise	labour and land
B	enterprise and labour	land and capital
C	labour and land	capital and enterprise
D	land and capital	enterprise and labour

3 Which item would be **least** likely to be classed as land?

A fertilisers

B fisheries

C forests

D coal

4 Why does the concept of scarcity apply to the use of fossil fuels?

A Demand fluctuates according to price changes.

B Supply is insufficient to meet demand.

C Their use is restricted because of harmful pollution.

D They are being replaced by renewable energy sources.

5 An economist knows the current point at which an economy operates within its production possibility curve.

What can the economist conclude about this economy?

A its degree of self-sufficiency

B its international competitiveness

C its level of output of two goods

D its rate of economic growth

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6 An increase in which factor is likely to cause a shift to the left of the demand curve for cinema movies?

A expenses for the heating system in the cinema

B payments charged by movie scriptwriters

C the cost of transport to the cinema

D taxes on the incomes of cinema operators

7 Four firms supply the market. The market supply is 50 units at $20 and 100 units at $40. The table shows the market share of each firm at the two prices.

Which firm does **not** have a normal upward-sloping supply curve?

	% market share at $20	% market share at $40
A	10	10
B	20	50
C	30	20
D	40	20

8 Which statement is correct?

A Demand for an inferior good has a positive relationship to income and a negative relationship to price.

B Demand for an inferior good has a negative relationship to income and a negative relationship to price.

C Demand for a normal good has a positive relationship to income and a positive relationship to price.

D Demand for a normal good has a negative relationship to income and a positive relationship to price.

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9 In which row are both statements correct?

	consumer surplus	producer surplus
A	the value that consumers gain from consuming a good over and above the value that would have been gained from consuming the next best alternative	the difference between the actual revenue received by firms for a good and the profit maximising revenue
B	the value that consumers gain from consuming a good over and above the price paid	the difference between the price received by firms for a good or service and the price at which they would have been prepared to supply that good
C	the value that consumers gain from consuming a good over and above the price paid	the difference between the actual revenue received by firms for a good and the profit maximising revenue
D	the value that consumers gain from consuming a good over and above the value that would have been gained from consuming the next best alternative	the difference between the price received by firms for a good and the price at which they would have been prepared to supply that good

10 A firm calculates that the income elasticity of demand for its product is –3.0.

What can be deduced from this information?

A In a period of economic growth, its total revenue should increase.

B In a period of economic recession, its total revenue should increase.

C It has few substitutes so it should increase its price to increase total revenue.

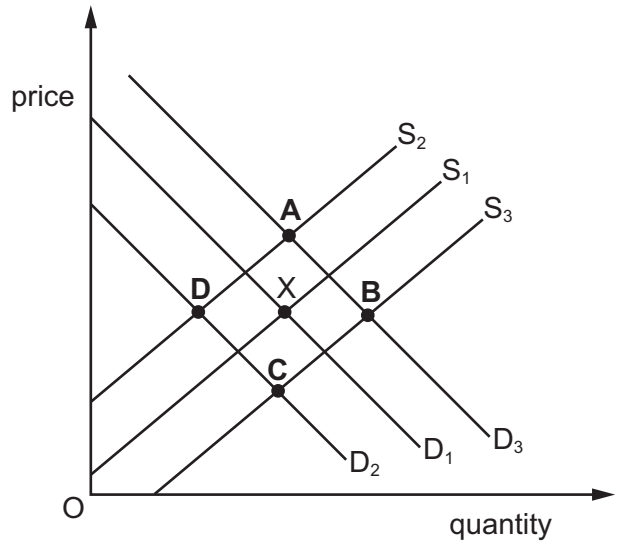
D It has many substitutes so it should decrease price to increase total revenue.

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11 The diagram shows the demand and supply curves for the global air cargo market.

The initial equilibrium is at point X.

What would the new equilibrium be if there is a global recession and an increase in fuel costs?



12 A government gives free food to poor households in a community.

What is this food an example of?

A a free good

B a public good

C a demerit good

D a normal good

13 A government wishes to raise the incomes of farmers without raising the price of food to consumers.

Which policy should it use?

A a maximum price below the market price for food

B a minimum price below the market price for food

C a payment of a subsidy to farmers to produce food

D a release of government food stocks onto the market

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14 Governments in market economies give different reasons for intervening in the operation of an economy.

Which reason given is a normative statement?

A Average incomes have failed to keep pace with price rises during the past year.

B Energy prices have increased by more than 50% during the past year.

C The distribution of incomes has become more unfair during the past year.

D The poorest 10% of households have suffered the greatest fall in average real income during the past year.

15 The table illustrates macroeconomic data for an economy. All figures are in $ billions.

What is the equilibrium real output?

	consumption expenditure	investment	government expenditure	exports	imports	real output
A	110	100	50	10	20	100
B	120	100	60	20	30	200
C	140	100	70	30	40	300
D	160	100	80	40	50	430

16 A country's net national income (NNI) is less than its gross national income (GNI).

What does this mean?

A incomes earned overseas were less than incomes sent overseas

B inflation has been accounted for in NNI but not in GNI

C the country's exports decreased

D there has been a net depreciation in the value of the country's fixed capital assets

17 Asha is currently unemployed. She has been offered a job but has decided to decline the offer and search for a better paid job.

Which type of unemployment is this?

A cyclical

B frictional

C seasonal

D structural

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18 A major trading nation, country X, is in equilibrium at the full employment level of real output. There is then a recession in its main international markets.

What are the most likely consequences of this change for country X?

	rate of inflation	unemployment
A	decrease	decrease
B	decrease	increase
C	unchanged	decrease
D	unchanged	increase

19 Why would a fall in a country's average price level cause its aggregate demand curve to slope downwards?

A It leads to an increase in interest rates.

B It reduces the real value of money balances.

C It makes the country's goods cheaper relative to foreign goods.

D It leads to the expectation of further price falls.

20 To counter deflation a central bank uses expansionary monetary policy.

What is likely to result?

A a higher cost of borrowing

B an increase in aggregate demand

C an appreciation of the exchange rate

D an increase in government debt

21 Which statement about government budget surpluses and deficits is the most accurate?

A A surplus implies that the balance of payments is in surplus.

B A surplus implies that the government is spending too much money.

C A deficit implies that the economy is in decline.

D A deficit implies that the national debt is increasing.

22 What is most likely to decrease if a government uses expansionary fiscal policy?

A a balance of payments deficit

B cyclical unemployment

C the level of wages

D the rate of inflation

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23 Sweden had a change in its Consumer Prices Index (CPI) of –0.6%.

Which combination of policies might its government use to restore price stability?

A increase interest rates and increase indirect taxes

B increase interest rates and reduce government spending

C reduce government spending and increase income tax

D reduce interest rates and increase government spending

24 What is a disadvantage of operating a floating exchange rate system?

A It makes it difficult to prioritise domestic economic policy aims.

B It makes the prices of internationally traded goods less predictable.

C It means that the government must keep significant foreign currency reserves.

D It requires continuous government intervention in currency markets.

25 What is **not** an example of protectionism?

A export subsidies

B import subsidies

C quotas

D tariffs

26 Countries X and Y both produce goods M and N. They decide to specialise and trade freely in the goods.

Under which conditions are the gains from specialisation and free trade likely to be **smallest**?

	mobility of factors of production between goods M and N	mobility of factors of production between countries X and Y
A	high	high
B	high	low
C	low	high
D	low	low

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27 The terms of trade for a country increased from 100 to 120.

Which statements are correct?

1 The terms of trade have deteriorated.

2 Fewer exports are needed to buy the same quantity of imports.

3 The balance of payments must improve.

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

28 The table shows the number of Turkish lira (TRY) which can be exchanged for one US dollar (USD) in 2016 and 2021.

date	exchange rate
July 2016	1 USD = 2.83 TRY
July 2021	1 USD = 8.15 TRY

What is the most likely cause of the change in the price of Turkish lira between 2016 and 2021?

A a sustained fall in the demand for Turkish imports

B a sustained fall in Turkish government debt as a percentage of GDP

C a sustained rise in Turkish interest rates

D a sustained rise in Turkish inflation

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29 The table shows the current account of a balance of payments for January 2021.

	$m
exports of goods	15 000
imports of goods	17 000
services	
credit	2 500
debit	2 000
primary income	
credit	100
debit	1 000
secondary income balance	60

What is the current account balance?

A a deficit of $2340m

B a deficit of $2000m

C a surplus of $2340m

D a surplus of $2000m

30 Which policy would **not** be an argument for the use of import tariffs?

A They are an effective way of raising revenue.

B They improve the balance of payments on a current account.

C They improve a nation's terms of trade in a bilateral agreement.

D They may lead to retaliation by trading partners.

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