Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/12**

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.

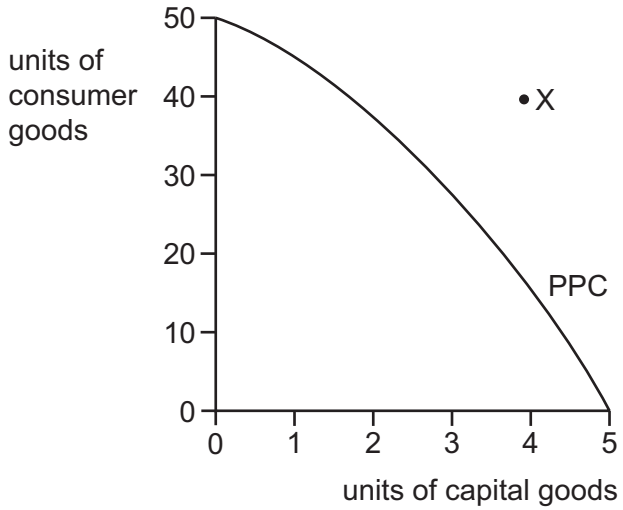
INFORMATION

- 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 The diagram shows a production possibility curve (PPC). It indicates the combinations of consumer goods and capital goods produced by an economy using all its available resources.



What does position X indicate?

A a lower ratio of capital to consumer goods is necessary to achieve economic growth

B increasing levels of unemployment

C insufficient factors of production are available

D too many consumer goods are causing a fall in economic growth

2 What is produced in a mixed economy but **not** in a free market economy?

A demerit goods

B free goods

C private goods

D public goods

3 Earth observation satellites designed to acquire information are close to the theoretical case of a public good. In 2011, the World Meteorological Organisation estimated that improving satellite observations would cost an extra $1 billion a year.

What is a normative statement about Earth observation satellites?

A The estimated cost of improving satellite observations is $1 billion a year.

B The information received from the satellites is non-rival.

C The satellites are designed to acquire the best possible information on climate change.

D The responsibility for the cost of Earth observation satellites should be shared by all governments.

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4 What is the opportunity cost of a virus to the healthcare service in a country?

A increased number of hospital patients

B increased use of personal protective equipment

C increased stress for staff working in hospitals

D increased waiting times to treat non-virus patients

5 The share of total incomes from profit in a country shows more variation over time than incomes from interest, rent and wages.

What is the most likely reason for this?

A Interest rates are set by government.

B Profit is what is left after interest, rent and wages are subtracted from total income.

C Rent is only the return to the factor and so is always the smallest.

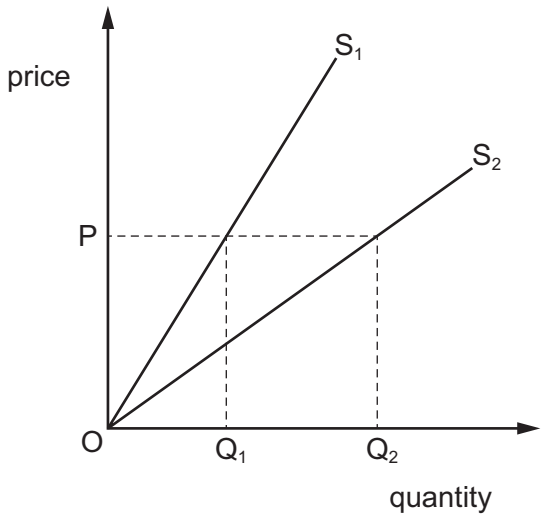
D Wages only change annually.

6 Changes in the market for gasoline (petrol) in Zimbabwe resulted in fuel shortages and long queues.

Which combination of changes would have been certain to cause this situation?

	demand for gasoline	supply of gasoline
A	decreased	decreased
B	decreased	increased
C	increased	decreased
D	increased	increased

7 The diagram shows the movement of the supply curve for a product from S_1 to S_2.



At price P, what happens to the price elasticity of supply for the product and the producer surplus when the supply curve moves?

	price elasticity of supply	producer surplus
A	more elastic	decreases
B	more elastic	increases
C	unchanged	decreases
D	unchanged	increases

8 The tables show the different quantities of a good demanded at different prices and levels of income.

price $	quantity demanded
5	9
4	10
3	20
2	40
1	120

income $	quantity demanded
48	120
24	40
16	20
10	10
8	9

Within the range of these figures, when are both price elasticity of demand and income elasticity of demand for this good inelastic?

A when price is low and income is high

B when price is high and income is low

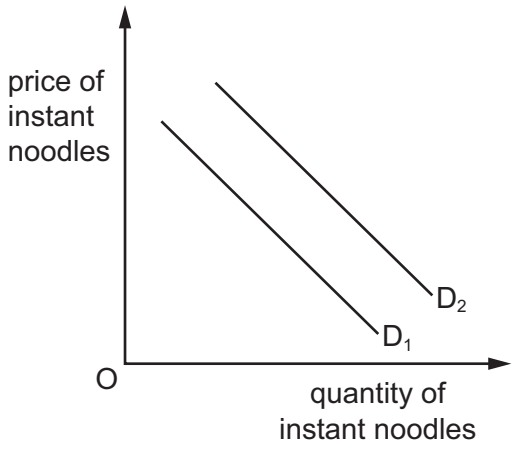
C when price and income are both high

D when price and income are both low

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9 In Asia, instant noodles is an inferior good because dried fruit is a better quality substitute.

The diagram shows the demand for instant noodles.



What could have caused the shift in the demand curve for instant noodles from D_1 to D_2?

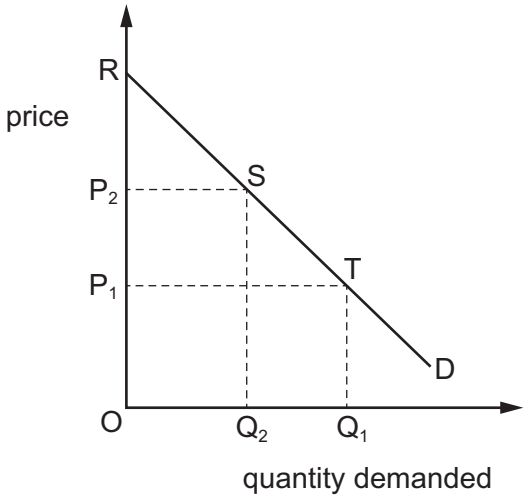
A a fall in the price of dried fruit

B a rise in real income

C a rise in unemployment

D a successful advertising campaign by dried fruit producers

10 The diagram shows the impact of an increase in the price of a product from P_1 to P_2.



Which area represents the consumer surplus after the price change?

A P_1P_2ST **B** P_2RS **C** $ORSQ_2$ **D** OP_2SQ_2

11 Which reason for the increase in demand for a smartphone is an example of joint demand?

A a fall in its price

B a fall in the price of connecting to a network

C a fall in the price of parts used to make smartphones

D a rise in the price of a substitute

12 A market is in equilibrium. The government intervenes by creating a price floor below which the market price cannot fall.

Which term describes this form of government intervention?

A maximum price

B minimum price

C subsidy

D unit tax

13 What is an example of a public good?

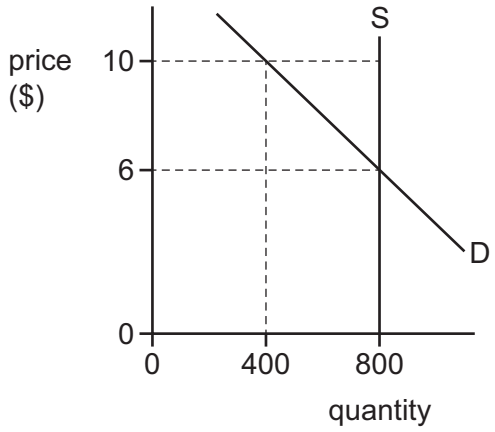
A a new road linking a major city with a port

B free lunches provided to students at a school

C Wi-Fi (internet access) provided for all the citizens of a town

D state provision of a national defence system

14 The diagram shows an initial market equilibrium for an agricultural product of $6 and 800 units.



How much will the government have to spend to increase the market price to $10?

A $1600 **B** $2400 **C** $3200 **D** $4000

15 Which government policy will increase aggregate demand?

A raising indirect taxation

B reducing the budget surplus

C removing domestic subsidies

D removing import quotas

16 The table gives the value of the price index of an economy in two years.

year	price index
1	60
2	120

What can be concluded about the period?

A Nominal income doubled.

B Real income doubled.

C The cost of living doubled.

D The standard of living doubled.

17 What causes a rise in cost-push inflation?

A a fall in the rate of income tax

B a rise in the rate of income tax

C a depreciation of the exchange rate

D an appreciation of the exchange rate

18 Which change affecting an economy's labour force will cause an increase in economic growth in the short run?

A an increase in students entering university

B an increase in the birth rate

C an increase in the immigration of skilled labour

D an increase in the school leaving age

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19 Which factor explains the difference between GDP and GNI?

A foreign investment in the domestic automobile industry

B revenues received from exporting capital goods

C revenues received from exporting consumer goods

D salaries remitted by those working abroad to their home accounts

20 What is true about a government's macroeconomic objectives?

A Economic growth ensures a more even distribution of income.

B Increasing output ensures that more workers are employed.

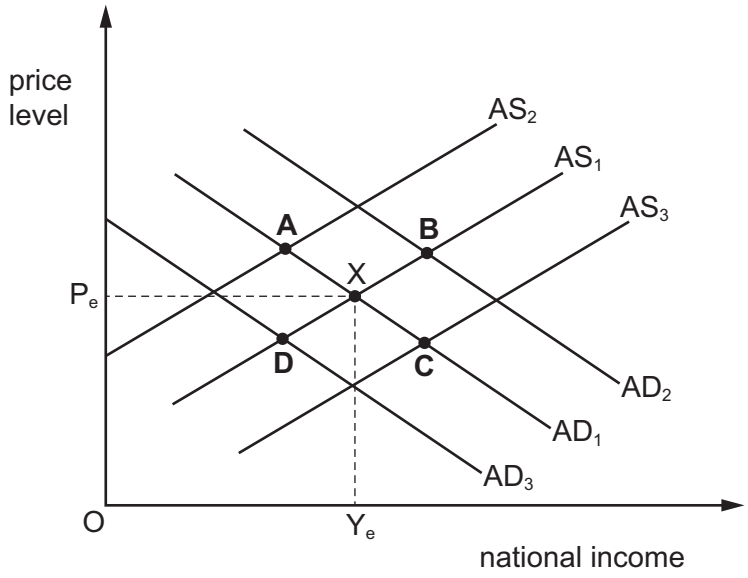
C Choosing between macroeconomic objectives requires a normative decision.

D A stable rate of inflation means zero inflation is required.

21 The original equilibrium in the economy is represented by point X, the intersection of AD_1 and AS_1, on the AD / AS diagram shown.

The government decreases the money supply.

What is the new equilibrium point?



22 How does a government use its central bank to promote an expansionary monetary policy?

A increasing interest rates for commercial banks

B increasing the interest rate on the national debt

C restricting bank credit for consumer durables

D increasing the issue of notes and coins in circulation

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23 Which combination of problems would be most likely to cause a country's government to reduce taxation and lower interest rates?

A demand-pull inflation and a balance of payments current account deficit

B demand-pull inflation and a low level of investment

C high unemployment and a balance of payments current account deficit

D high unemployment and a low level of investment

24 What would be the best policy for a country to reduce a balance of payments deficit?

A an increase in interest rates

B an increase in the exchange rate

C a reduction in direct taxes

D a reduction in subsidies to domestic industry

25 A government wants to protect its textile industry from imports.

Which policy is likely to have the **least** impact on the import of textiles?

A a ban on the import of textiles

B a sales tax on all textiles sold in the country

C a tariff on the import of textiles

D all textiles sold in the country are required to meet minimum quality standards

26 A major European economy announced that the primary income account deficit of its balance of payments changed from $20 billion to $50 billion.

What would have contributed to this change?

A an increase in the value of imported medical supplies

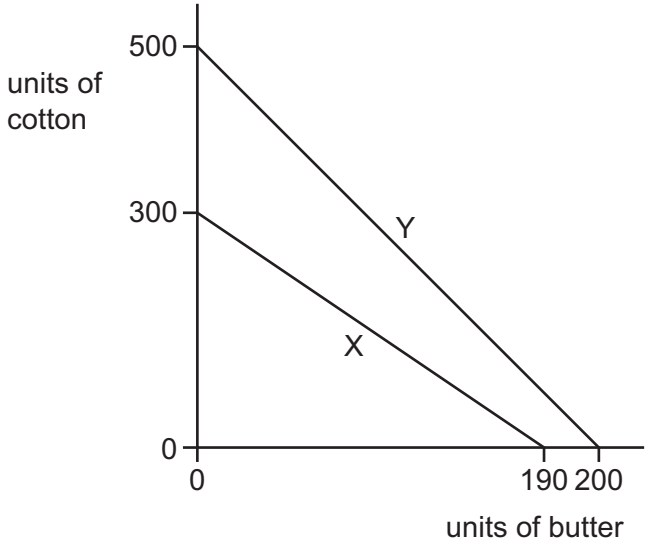
B an increase in investment dividends paid to foreigners

C a reduction in the value of exported manufactured goods

D a reduction in the expenditure by visiting tourists

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27 The diagram shows the amounts of cotton and butter that can be produced in countries X and Y with a given quantity of resources.



What can be concluded from the diagram?

A Country X has an absolute advantage in the production of cotton.

B Country X has a comparative advantage in the production of butter.

C Country Y has a comparative advantage in the production of both goods.

D There are no gains from trade between these two countries.

28 What is indicated by an economy's terms of trade?

A the degree of its dependence on imports

B the international competitiveness of its exports

C the purchasing power of its exports relative to its imports

D the relative strength of its currency in the foreign exchange market

29 What will cause an increase in the demand for the US dollar($)?

A dividends paid from US firms to foreign shareholders

B foreign firms buying US firms

C foreigners who live in the US sending money home to their relatives

D the US government wanting to hold reserves of foreign currency

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30 What is **not** included in the current account of the balance of payments?

A international aid

B trade in goods

C trade in services

D foreign direct investment

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