Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/13**

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 What is **not** an example of a public good?

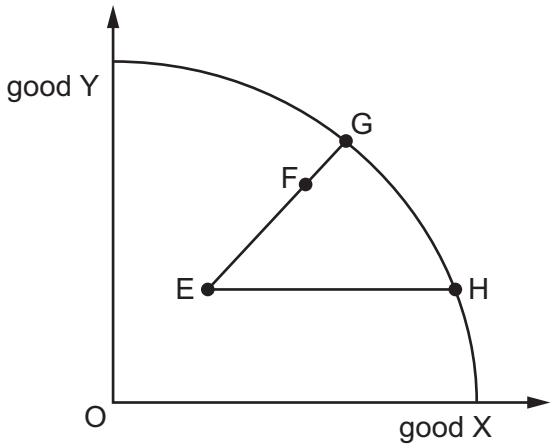
A education

B flood control systems

C national defence

D street lighting

2 The diagram shows a production possibility curve for an economy that produces two goods, X and Y.



When will the opportunity cost of producing more of good X be the largest?

A moving from point E to point F

B moving from point E to point G

C moving from point E to point H

D moving from point G to point H

3 Which activity illustrates the consumption of a 'free' good?

A a farmer using water taken from a river

B a patient visiting a medical facility provided by a charity

C a person breathing air in the countryside

D a person eating their birthday cake given as a gift by a friend

4 What is essential to eliminate scarcity?

A the existence of sufficient resources to meet all needs and wants

B producers consistently produce in excess of demand

C the government has a surplus budget

D there is equilibrium in all markets

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5 What will encourage a higher degree of division of labour?

A firms wishing for a greater level of self-sufficiency

B firms wishing to increase their flexibility in production

C firms wishing to raise their level of productivity

D firms wishing to reduce their level of risk

6 Which business is likely to be the slowest to alter its output in response to a sustained increase in demand for its product?

A a fast-food restaurant

B a household cleaning service

C a newspaper printer

D an oil exploration company

7 A company uses large amounts of gas to produce steel. Supplies of gas are reduced at the same time as the market for steel is hit by a recession.

What can be said about the likely changes in the market for steel?

	equilibrium price	equilibrium quantity
A	falls	uncertain
B	rises	uncertain
C	uncertain	falls
D	uncertain	rises

8 A firm is charging a price of $12 for its product and using 80% of its production capacity of 10 000 units per month.

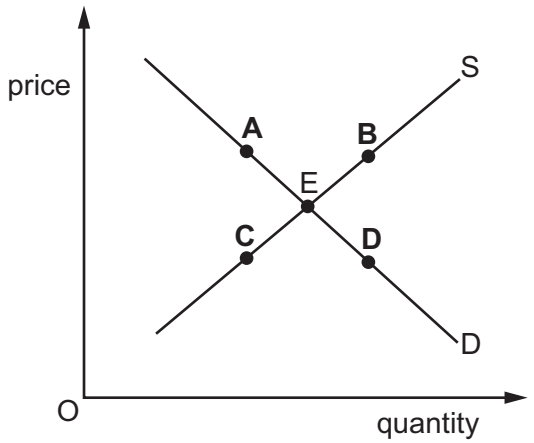
Assuming the product has unitary price elastic demand, which price should the firm charge to utilise its full capacity?

A $9.00 **B** $9.60 **C** $10.00 **D** $10.60

9 The diagram shows the demand for and supply of hotel accommodation. The market equilibrium is at point E.

The hotel receives a very large number of bad reviews about the quality of its accommodation.

Which point on the diagram would show the new market equilibrium?



10 What most accurately describes a market supply curve?

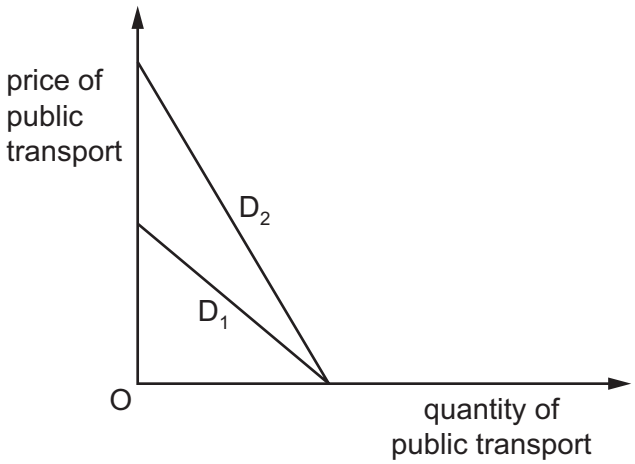
A supply at different income levels, assuming product prices remain unchanged

B supply at different levels of factor prices, assuming product prices remain unchanged

C supply at different prices, assuming no changes in technology

D supply at different time periods, assuming no changes in technology

11 In the diagram, D_1 shows an individual's initial demand curve for public transport.



What could cause the demand curve to shift to D_2?

A The costs of running the individual's car fall.

B The individual is no longer able to drive.

C The price of public transport falls.

D The public transport services are reduced.

12 A government introduces an effective minimum price for a product but makes no other intervention in the market.

This policy suggests that the government's objective is

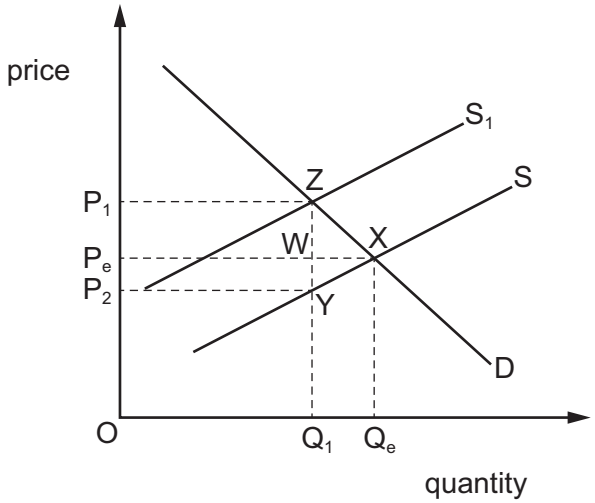
A to discourage consumption of a demerit good.

B to increase the consumption of a merit good.

C to reduce the price of a private good.

D to support the incomes of producers.

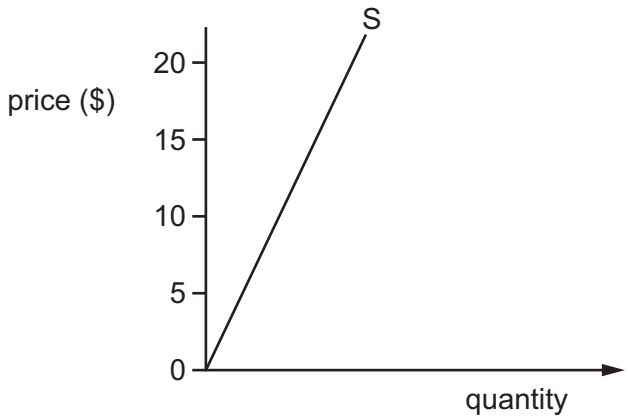
13 The diagram shows the effect of an indirect tax imposed on cigarettes. The market is initially in equilibrium at point X.



Which area represents the incidence of the tax on consumers?

A P_1ZYP_2 **B** P_1ZWP_e **C** P_eWYP_2 **D** P_eXZP_1

14 The diagram shows the supply curve of a product.



The government imposes a specific indirect tax of $5 on the product.

How will the price elasticity of supply of the product change?

A from elastic (>1) to inelastic (<1)

B from inelastic (<1) to elastic (>1)

C from inelastic (<1) to unitary (=1)

D from unitary (=1) to elastic (>1)

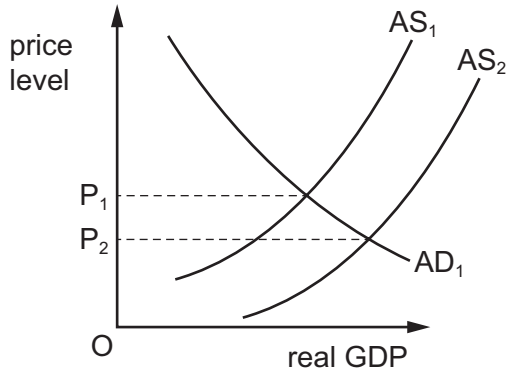
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15 The diagrams show a country's aggregate demand (AD_1) and aggregate supply (AS_1) curves.

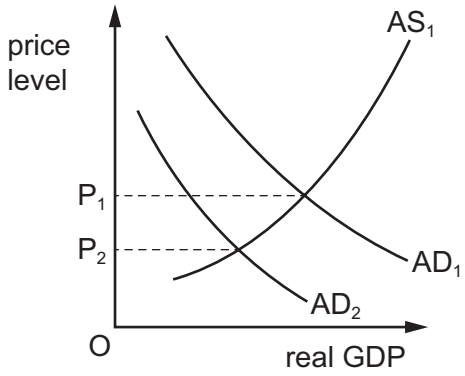
Since the world economic downturn (2007–2008), some governments have reduced labour costs and ensured interest rates remained unchanged.

How would this most likely be shown on a diagram?

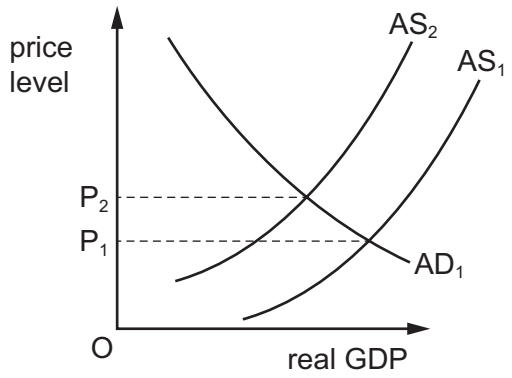
A



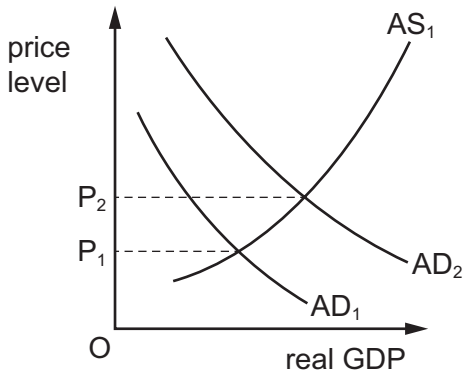
B



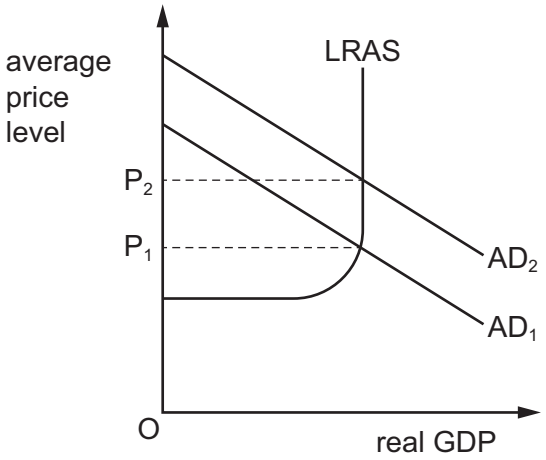
C



D



16 The diagram shows the effect on the average price level when aggregate demand (AD) increases from AD_1 to AD_2.



Which statement relating to this change in aggregate demand is correct?

A Nominal GDP has increased.

B Nominal GDP is unchanged.

C Real GDP has increased.

D Real GDP has fallen.

17 The table lists the values of the components of an economy's circular flow of income.

component	value $m
government spending	6
exports	8
investment	9
imports	7
saving	10
tax	5

What can be concluded about the economy from the information shown?

A It has a budget surplus.

B It has a trade deficit.

C It is a mixed, open economy.

D Its circular flow is in equilibrium.

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18 What is a cost of negative economic growth?

A deteriorating balance of payments

B higher inflation

C higher unemployment

D increased pollution

19 A government statistical office measured changes in income from employment, pensions and benefits, then subtracted income tax and welfare contributions and adjusted for inflation.

What did the final figure represent?

A changes in nominal income

B changes in nominal net earnings

C changes in real disposable income

D changes in real gross earnings

20 Which combination of fiscal and monetary policies is most likely to be effective in the short run to prevent deflation in a closed economy?

	fiscal policy	monetary policy
A	decreasing the budget deficit	decreasing the interest rate
B	decreasing the budget deficit	decreasing the money supply
C	increasing the budget deficit	decreasing the interest rate
D	increasing the budget deficit	decreasing the money supply

21 Which macroeconomic objective is most likely to be achieved by increasing income tax?

A depreciation of the exchange rate

B economic growth

C low unemployment

D price stability

22 What is **not** a supply-side policy?

A increasing government expenditure on infrastructure

B increasing research and development expenditure

C increasing subsidies for education and training

D increasing the supply of money

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23 When can a policy be classified as macroeconomic?

A when it focuses on the level of individual welfare

B when it involves economy-wide institutions and behaviour

C when it is based on the control of monopoly markets

D when it relies on the use of buffer stock schemes

24 The demand for a country's exports is price elastic.

If it is experiencing a deficit on the current account of its balance of payments, which combination of policies is most likely to correct the deficit?

	rate of interest	exchange rate	standard rate of income tax
A	decrease	appreciate	keep unchanged
B	decrease	depreciate	decrease
C	increase	keep unchanged	decrease
D	keep unchanged	depreciate	increase

25 What is an unintended consequence of the US government restricting imports of cheap Chinese steel?

A US importers of steel pay lower prices for steel.

B US manufacturers become less competitive.

C US steel makers increase steel production.

D US steel workers receive higher incomes.

26 What is an export of services in Jamaica's current account?

A an inflow of funds to Jamaica to buy shares

B earnings from US tourists visiting Jamaica

C earnings of Haitian workers in Jamaica sent to Haiti

D the export of Jamaican coffee

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27 A country imports natural gas for which it has price-inelastic demand.

What is the effect if that country imposes an import duty on the gas?

A Consumers in the importing country will suffer a loss of consumer surplus.

B The exporting country will gain export revenue.

C The importing country's primary income will increase.

D The price of natural gas will rise in other importing countries.

28 The table shows the output of goods X and Y in China and the United States (US) before specialisation.

	good X	good Y
China	20 000	70 000
US	20 000	50 000
total	40 000	120 000

Assuming both China and the US use 50% of their resources to produce each product, what will the combined total output be after specialisation has occurred?

A 120 000 **B** 140 000 **C** 160 000 **D** 180 000

29 Economists suggest that multilateral trade between many countries is preferable to bilateral trade between two countries.

Why is this?

A Bilateral trade means that trade diversion is always greater than trade creation.

B Bilateral trade misses the benefit of trade with third countries.

C Gains from bilateral trade are less than the harm done to third countries.

D Gains from comparative advantage cannot apply in the case of bilateral trade.

30 A country experiences an improvement in its terms of trade.

What is the most likely cause?

A a decrease in its budget deficit

B a relatively low rate of domestic inflation

C a rise in its exchange rate

D a surplus on its primary income account

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