Cambridge International A Level

Cambridge International Examinations
Cambridge International Advanced Level

ECONOMICS **9708/33**

Paper 3 Multiple Choice (Supplement) **October/November 2015**

1 hour

Additional Materials: Multiple Choice Answer Sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

3302824608

READ THESE INSTRUCTIONS FIRST

Write in soft pencil.
Do not use staples, paper clips, glue or correction fluid.
Write your name, Centre number and candidate number on the Answer Sheet in the spaces provided unless this has been done for you.
DO **NOT** WRITE IN ANY BARCODES.

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 separate Answer Sheet.

Read the instructions on the Answer Sheet very carefully.

Each correct answer will score one mark. A mark will not be deducted for a wrong answer.
Any rough working should be done in this booklet.

IB15 11_9708_33/3RP
© UCLES 2015

1 In an economy, no one can be made better off without making someone else worse off.

What does **not** necessarily follow from this?

A The conditions for allocative efficiency have been met.

B The conditions for productive efficiency have been met.

C The distribution of income is socially acceptable.

D The economy is operating at a point on its production possibility frontier.

2 To maximise the satisfaction she derives from a given level of expenditure on two goods, X and Y, how should a consumer allocate her expenditure between the two goods?

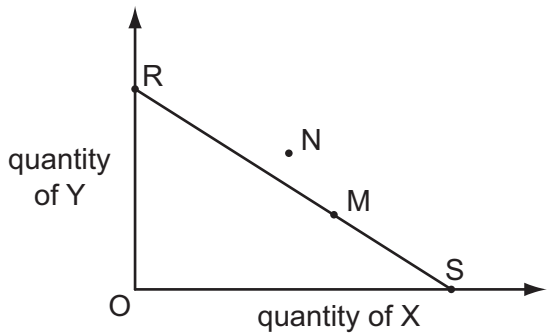
A marginal utility X = marginal utility Y

B marginal utility X × price of X = marginal utility Y

C $\frac{\text{marginal utility X}}{\text{price of Y}} = \frac{\text{marginal utility Y}}{\text{price of X}}$

D $\frac{\text{marginal utility X}}{\text{marginal utility Y}} = \frac{\text{price of X}}{\text{price of Y}}$

3 The line RS in the diagram is a consumer's budget line.



The consumer initially chooses the combination of X and Y indicated by point M on his budget line.

He subsequently chooses the combination indicated by point N.

What could explain the change from point M to point N?

A a change in his tastes

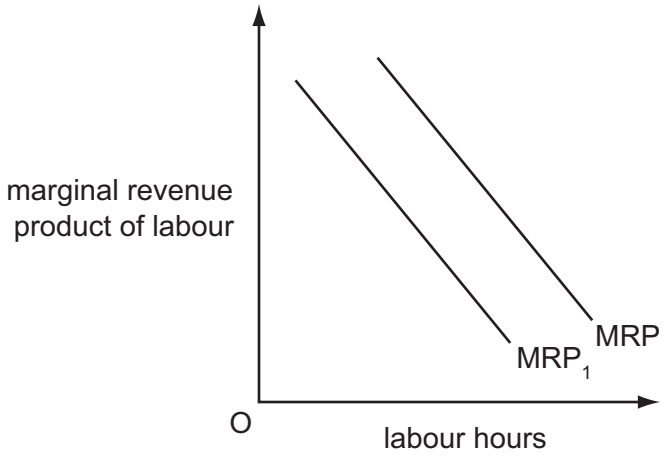
B a decrease in the price of X and a bigger percentage increase in the price of Y

C an increase in the price of X and an increase in his income

D equal percentage increases in his income and in both prices

© UCLES 2015

4 The diagram shows a firm's initial marginal revenue product of labour curve (MRP).



What could cause the curve to shift to MRP_1?

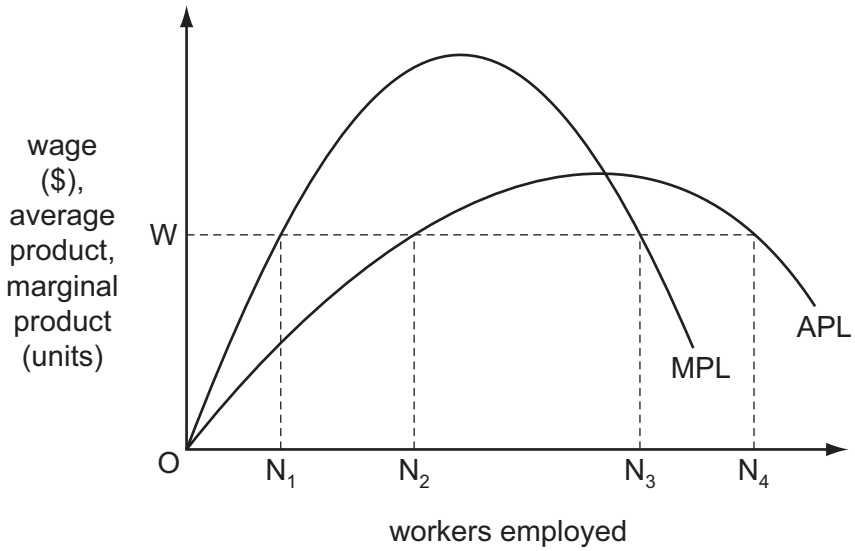
A a cut in the wage rate

B a fall in the price of the final product

C an increase in the wage rate

D a rise in the price of the final product

5 The diagram shows a perfectly competitive firm's average product of labour (APL) and marginal product of labour (MPL) curves.



How many workers will the firm employ at a wage of W?

A ON_1 **B** ON_2 **C** ON_3 **D** ON_4

6 To increase its labour force from 20 to 21 workers, a firm has to increase the daily wage rate from \$50 to \$52.

What is the marginal cost of labour per day?

A \$42 **B** \$52 **C** \$92 **D** \$1092

7 A firm's long-run production function shows that a 40% increase in its inputs leads to a 20% increase in output.

What is the firm experiencing?

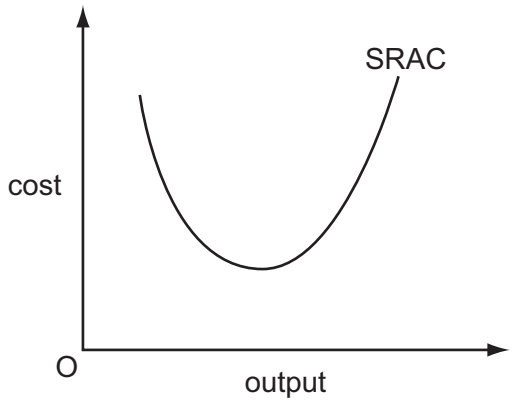
A decreasing returns to scale

B diminishing returns

C increasing returns

D increasing returns to scale

8 The diagram shows a firm's short-run average cost curve.



What explains the shape of the curve?

A the law of variable proportions

B the law of diminishing marginal utility

C fixed costs exceeding variable costs

D technical diseconomies

9 The following schedule gives information about a firm's costs.

total variable costs	\$6400
average fixed costs	\$20
average total costs	\$100

What is the firm's output?

A 32 units **B** 50 units **C** 64 units **D** 80 units

© UCLES 2015

10 What must a firm do to achieve internal growth?

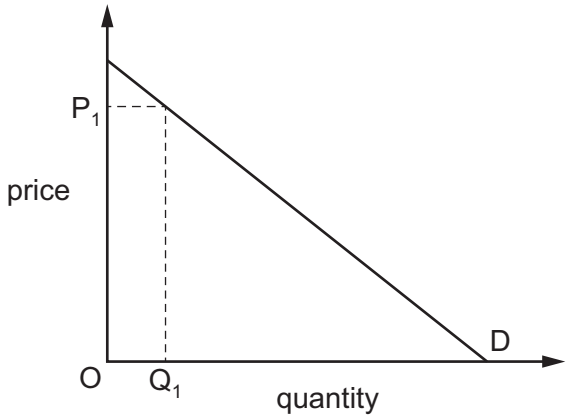
A increase productive capacity

B issue new shares

C launch new products

D retain some of its profits

11 The diagram shows the demand curve for a particular good.



What can be concluded from the diagram?

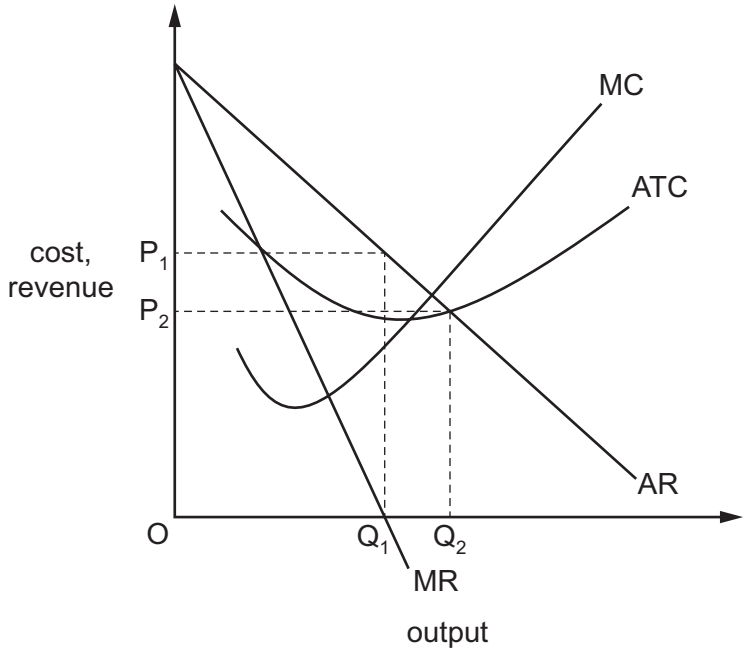
A Marginal revenue always has a positive value over the whole range of prices.

B Marginal revenue is equal to average revenue at P_1.

C The elasticity of demand is constant regardless of the price of the good.

D Total revenue initially increases as price falls from P_1, but at some point it will decrease.

12 The diagram shows a monopolist's cost and revenue curves.



The monopolist changes its price from P_1 to P_2 and its output from Q_1 to Q_2.

Which change in objective is indicated by the move from P_1 to P_2?

A profit maximisation to sales revenue maximisation

B profit maximisation to sales maximisation subject to earning a normal profit

C sales revenue maximisation to profit maximisation

D sales revenue maximisation to sales maximisation subject to earning a normal profit

13 An industry has an oligopolistic structure, but operates in a market which is highly contestable.

What is most likely to result?

A Collectively, the firms will behave like a monopoly.

B Firms will earn normal profits in the long run.

C Government price regulation will be required to prevent the exploitation of consumers.

D There will be substantial barriers to the entry of new firms.

14 What would economists agree should be the aim of any health care system?

A to meet all the health care demands of the population

B to provide every patient with the latest and best available treatment

C to provide free medical treatment

D to secure the maximum health gain from the resources available

© UCLES 2015

15 What would be most likely to give rise to a conflict between efficiency and equity?

A an increase in government expenditure on health care

B an increase in interest rates

C an increase in subsidies to public transport in congested urban areas

D an increase in the highest rate of income tax

16 Changes to a government's welfare policies reduce the number of people who are eligible for welfare benefits.

Why might these changes reduce income inequalities and the level of poverty?

A Not everyone takes up the benefits for which they are eligible.

B Some benefit recipients misspend the money they receive.

C Those who lose their benefits will have a greater incentive to find employment.

D Those who lose their benefits will pay less tax.

17 The table shows figures from the national income accounts of four countries, expressed in terms of a common currency. There is no government sector and no foreign trade.

Which country enjoys the highest consumption per capita?

	gross national product	gross investment	population
A	90	10	12
B	100	20	10
C	150	10	20
D	220	120	20

18 The table shows the level of consumption at various levels of national income for a closed economy with no government.

national income ($ million)	consumption ($ million)
20	15
24	18
28	21
32	24
36	27
40	30

What happens to the average and marginal propensities to consume as income increases?

	average propensity to consume	marginal propensity to consume
A	constant	constant
B	falls	constant
C	falls	falls
D	rises	falls

19 In a closed economy with no government, the equilibrium level of income is $22 million, the full employment level of income is $25 million and there is a deflationary gap of $1 million.

What can be concluded from this information?

A The level of investment is $3 million.

B The marginal propensity to consume is $\frac{1}{3}$.

C The marginal propensity to consume is $\frac{2}{3}$.

D The value of the investment multiplier is $1\frac{1}{2}$.

© UCLES 2015

20 The table shows some data for an economy.

investment ($ million)	exports ($ million)	government expenditure ($ million)	savings ($ million)	imports ($ million)	taxation ($ million)	national income ($ million)
200	100	50	125	62.5	62.5	600
200	100	50	150	75	75	700
200	100	50	175	87.5	87.5	800
200	100	50	200	100	100	900

What is the equilibrium level of national income?

A $600 million **B** $700 million **C** $800 million **D** $900 million

21 What will expand the money supply in an open economy?

A a current account balance of payments deficit

B an increase in the cash reserve ratio of commercial banks

C government borrowing from domestic residents

D government intervention to prevent an appreciation in the foreign exchange value of domestic currency

22 The table shows the figures for consumption, gross capital formation and depreciation in four economies, all measured in US $.

Assuming that the state of technology remains unchanged, which economy is most likely to experience economic growth?

economy	consumption ($ million)	gross capital formation ($ million)	depreciation ($ million)
A	200	40	50
B	500	200	150
C	1 000	1 200	1 400
D	20 000	6 000	6 000

© UCLES 2015

23 What is likely to decrease a country's actual output in the short run but may increase its long-run rate of growth of potential output?

A a decrease in the proportion of 18-25 year olds in higher education

B a decrease in the size of the government's budget deficit

C an increase in the size of the labour force

D increased female participation in the labour force

24 Why do economists draw a distinction between economic development and economic growth?

A because a country's stage of economic development depends on its level of output rather than its growth rate

B because it is the allocation rather than the overall level of a country's resources which determines its economic well-being

C because of the concern about quality of life rather than quantity of output

D because the prime determinant of economic development is investment rather than consumption

25 A fall in aggregate demand results in a rise in the number of full-time workers who are unemployed.

What is the most likely direct consequence?

A a deterioration in the country's balance of trade

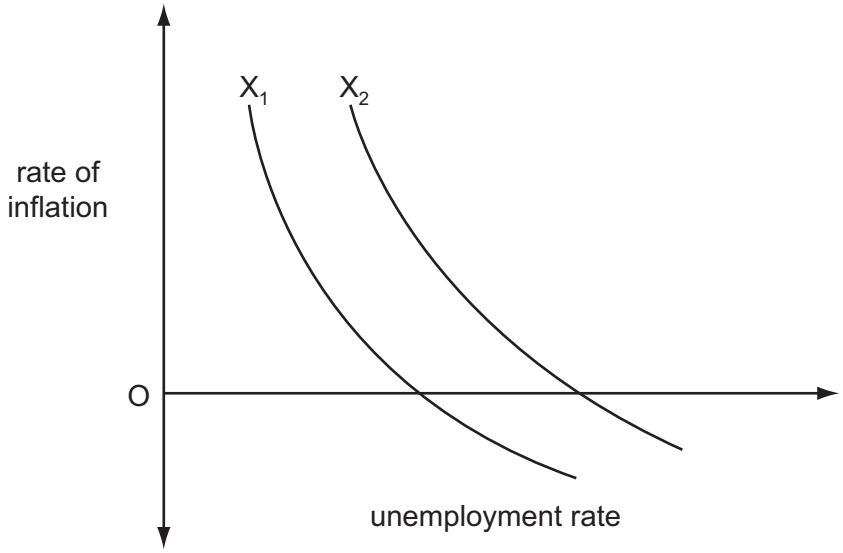
B an influx of workers from abroad

C a rise in the government's budget deficit

D a rise in the rate of inflation

© UCLES 2015

26 In the diagram, the curve X_1 shows an economy's initial trade-off between inflation and unemployment.



What could cause the curve to shift to X_2?

A an increase in the natural rate of unemployment

B a decrease in the money supply

C the expectation of a decrease in the inflation rate

D an increase in the rate of interest

27 According to Keynesian theory, what will cause the rate of interest to rise?

A a decrease in liquidity preference

B a decrease in the level of national income

C a decrease in the rate of investment

D a decrease in the supply of money

28 In an economy operating below full employment, which combination of changes will definitely result in a decrease in national income?

A a fall in government expenditure together with a rise in the propensity to import

B a fall in the rate of taxation together with a rise in the saving rate

C a rise in investment expenditure together with a rise in the rate of taxation

D a rise in the propensity to consume together with a rise in the rate of taxation

© UCLES 2015

29 What could be expected to increase the pressure of demand-pull inflation in an open economy?

A an appreciation of the foreign exchange rate

B an increase in interest rates

C an increase in sales taxes

D an increase in the budget deficit

30 How might a developing economy gain from a multilateral reduction in import tariffs and the removal by developed economies of subsidies on food exports?

A through increased specialisation leading to higher productivity

B through increased ability to protect infant industries

C through a reduction in the cost to the economy of imported food

D through increased tariff revenues

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge International Examinations Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cie.org.uk after the live examination series.

Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.

© UCLES 2015