Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/11**

Paper 1 Multiple Choice **October/November 2022**

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 **16** pages. Any blank pages are indicated.

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1 An economy is changing from a planned economy to a market economy.

Which action would be expected during this change?

A the replacement of fiscal policy by monetary policy

B the replacement of multinational companies by national companies

C the replacement of nationalisation by privatisation

D the replacement of private property rights by common ownership

2 A local council provides a tap for drinking water in a town.

Would this make drinking water a free good?

A No, because it is possible to exclude some people from using the tap.

B No, because it requires the use of scarce resources.

C Yes, because it is available to all passers-by.

D Yes, because it is impossible to charge for it.

3 Food prices in a country increased by 20% in three months due to an infectious virus.

Which statement about the cause of this rise in food prices is normative?

A Consumers were scared of running out of food.

B Farm workers demanded higher wages to cover extra hours worked.

C Supply of foreign food was reduced because of closed borders.

D Transport costs increased by 10%.

4 A doctor has very long working hours and a high level of stress. She can become a teacher instead of continuing as a doctor.

What is the opportunity cost of choosing to continue as a doctor?

A the risk of mistakes caused by tiredness

B the possible costs of illness caused by high stress levels

C the potential salary as a teacher

D the retraining costs of becoming a teacher

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5 When will the demand curve for motorcycles shift to the left?

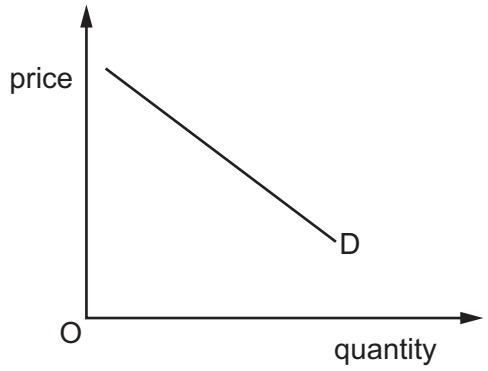
A when the price of cars falls

B when the price of motorcycles falls

C when the tax on motorcycles rises

D when the price of public transport rises

6 The diagram shows the demand curve for housing.



What is **not** assumed to remain constant when drawing this curve?

A consumer incomes

B expectations about future house prices

C the price of houses

D the rate of interest charged on loans for house purchase

7 Which statement defines the price elasticity of supply?

A It is a measure of how the price of a good responds to a change in the quantity supplied.

B It is a measure of how the quantity supplied of a good responds to a change in its price.

C It is a measure of how the supply of a good responds to a change in its cost of production.

D It is a measure of how the supply of good X responds to a change in the price of good Y.

8 Which products are likely to have a positive cross-elasticity of demand with tea?

A biscuits and cakes

B coffee and hot chocolate

C cups and saucers

D sugar and milk

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9 What does **not** cause a shift in the supply curve of cars?

A a change in the car producers' costs of production

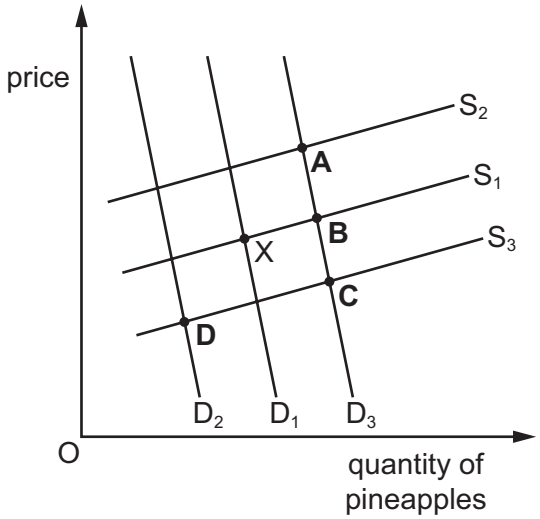
B a change in the price of fuel used by car owners

C a change in the rate of sales tax on cars

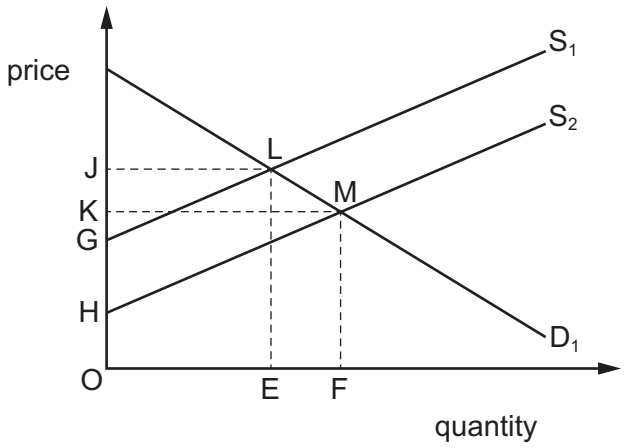
D a change in the wage rate of workers in the car industry

10 The diagram shows the market for pineapples. X is the original equilibrium point. Pineapple producers benefit from improved technology. At the same time, a new diet book suggests that eating pineapples helps weight loss.

Which point is the new equilibrium?



11 The diagram shows the impact of a fall in the price of oil that will lead to a fall in energy costs for many manufacturers.



What will be the impact of this change on consumer and producer surplus?

	consumer surplus	producer surplus
A	falls	falls
B	falls	rises
C	rises	falls
D	rises	rises

12 When is the supply curve for a car manufacturing firm **most** likely to be price elastic?

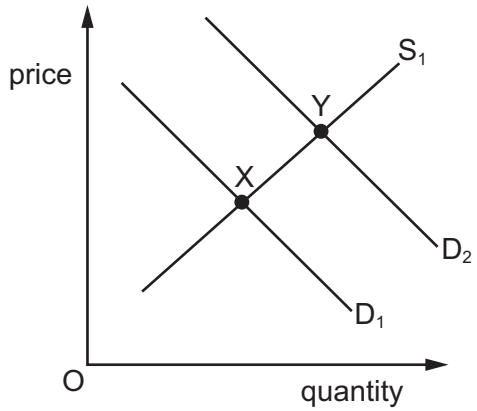
A when the firm finds it difficult to recruit new labour

B when the firm has a large quantity of stock

C when the firm is operating in the short run

D when the firm is operating near to full capacity

13 The diagram shows the market for electric steel-plated switches used in new houses.



What could **not** have caused the market equilibrium position to have changed from X to Y?

A increasing the availability of loans for buying houses

B granting a subsidy for producers of bricks

C removing sales tax on electric switches

D removing tariffs on imports of wood

14 In mixed economies, what explains why the provision of certain goods and services will remain under government control?

A The market system fails to provide public goods.

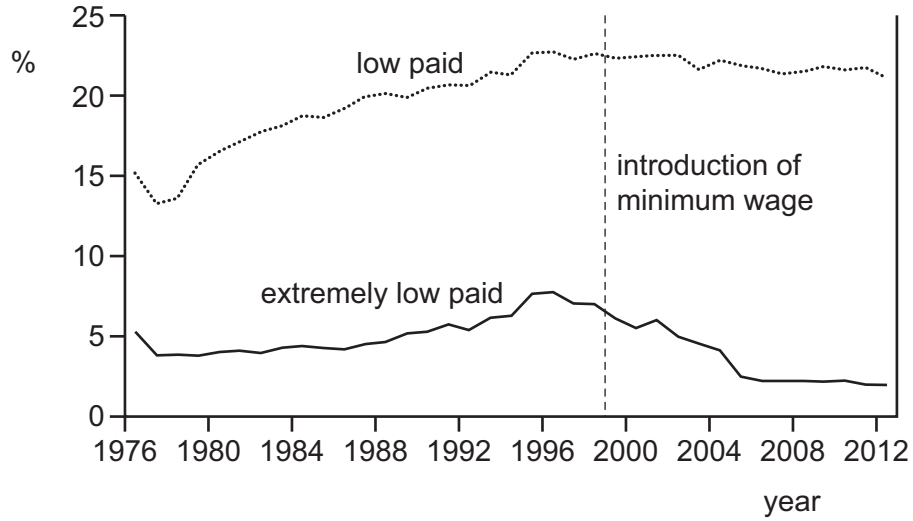
B Management ideas are hampered by excessive bureaucracy.

C Ownership of companies depends on the ease of buying shares.

D The profit motive tends to improve efficiency in organisations.

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15 The diagram shows the percentages of those on low pay and those on extremely low pay in a country from 1976 to 2012. A national minimum wage was introduced in 1999.



Which conclusion is consistent with the diagram?

A The minimum wage helped the low paid more than the extremely low paid.

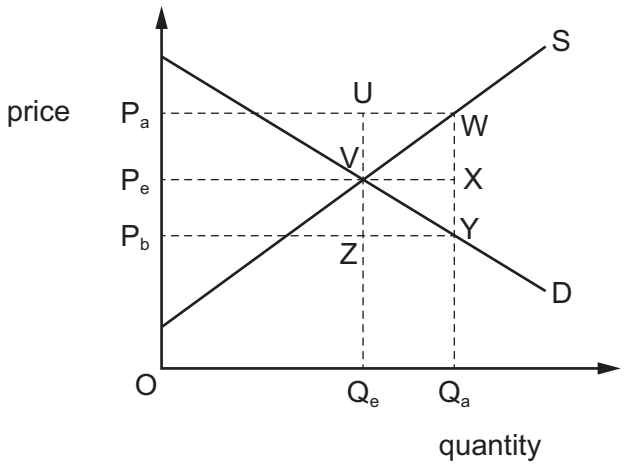
B The minimum wage reduced the numbers of both low paid and extremely low paid.

C The minimum wage reversed the trend in low pay of the previous 20 years.

D The minimum wage was responsible for the largest reduction of low pay in the period.

16 The government has decided to guarantee manufacturers a price OP_a for a product and to provide a subsidy to ensure that the market clears.

In the diagram, Q_eP_e was the original equilibrium before the policy changes.



Which area represents the total cost to the government of this subsidy?

A P_aUZP_b **B** P_aWYP_b **C** P_eXYP_b **D** VWYZ

17 A concert arena has a fixed capacity that allows it to sell 10 000 tickets for a concert. The current equilibrium price for a ticket is $10. The owners of the arena decide to set a minimum price for a ticket.

Under which conditions will there be the most unsold tickets?

	minimum ticket price ($)	price elasticity of demand for tickets
A	11	inelastic
B	11	elastic
C	12	inelastic
D	12	elastic

18 A government announces its intention to reduce the level of transfer payments in the economy.

Which statement made by the government is consistent with this intention?

A There need to be more incentives for unemployed workers to seek jobs.

B State pensions need to be increased.

C The level of income tax needs to be raised.

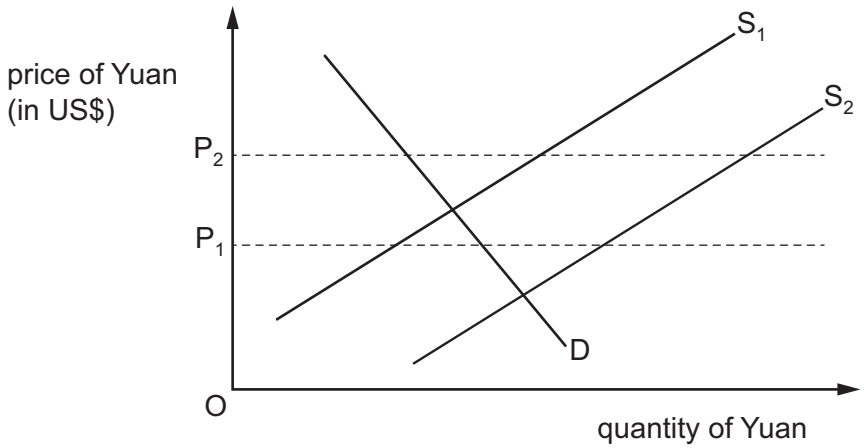
D The level of government expenditure needs to be increased.

19 Assuming the demand for oil is price-inelastic, what will be the effect on demand-pull inflation and on cost-push inflation in an oil-importing country of an increase in the world price of oil?

	effect on demand-pull inflation	effect on cost-push inflation
A	increase	increase
B	increase	reduce
C	reduce	increase
D	reduce	reduce

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20 Assume the Chinese monetary authorities are committed to maintaining the exchange rate of China's currency, the Yuan, against the US$ between P_1 and P_2 on the diagram.



What might they do if supply changed from S_1 to S_2?

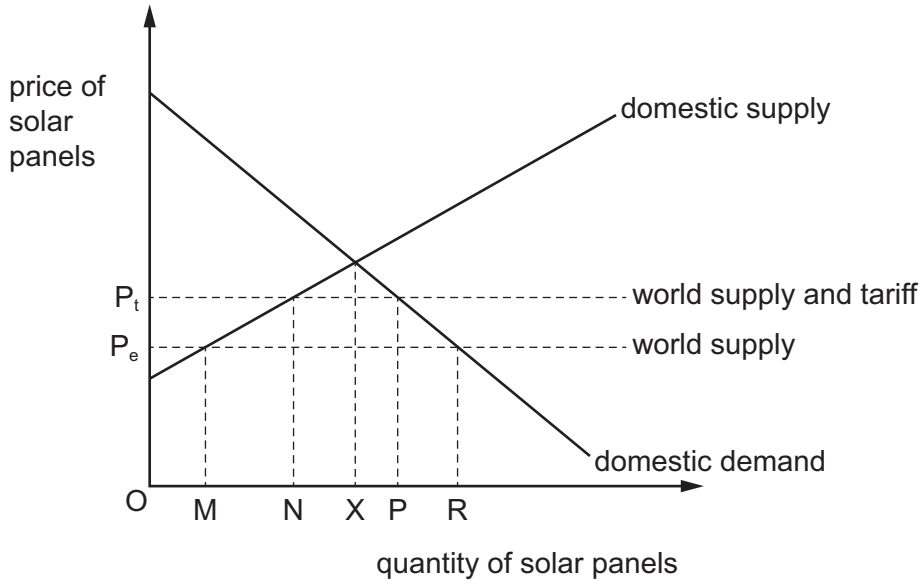
A introduce controls on Chinese investment overseas

B lower interest rates

C remove tariffs on imports from USA

D sell Yuan on the foreign exchange markets

21 The diagram shows the demand and supply curves for solar panels in the US. In 2018, the US put a tariff on imported solar panels.



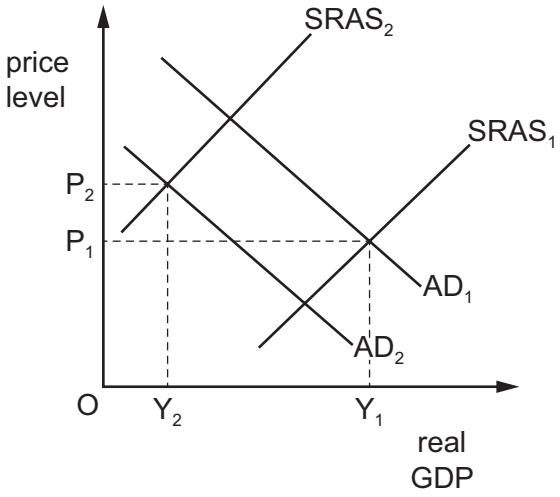
What is the quantity of imported solar panels after the imposition of the tariff?

A MN **B** MX **C** NP **D** XP

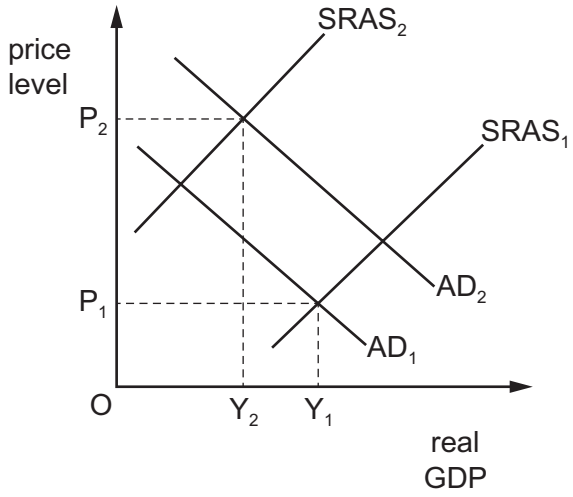
22 The diagrams show initial equilibrium positions at Y_1P_1.

Which diagram reflects the impact on an economy of higher unit wage costs and an improvement in the balance of trade?

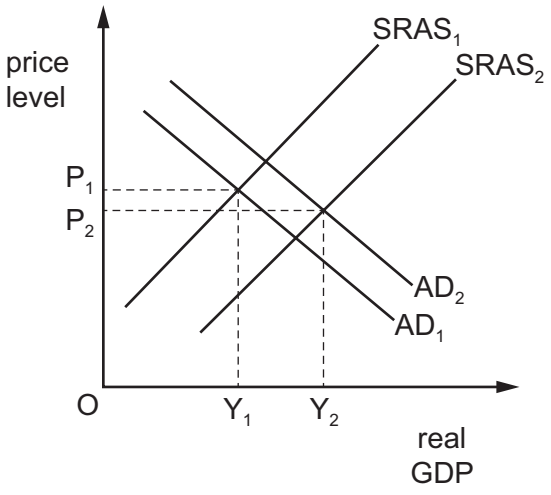
A



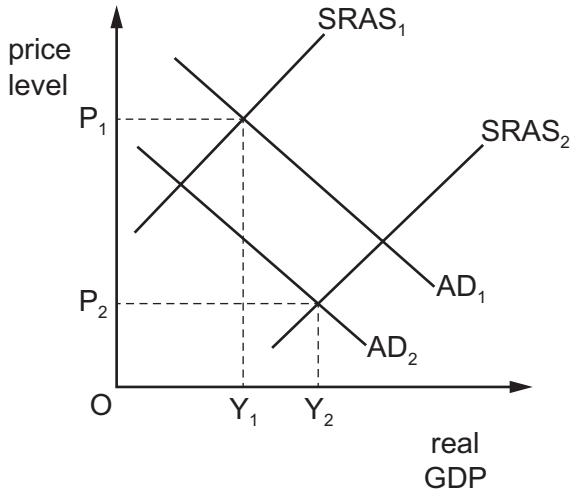
B



C



D



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23 The table shows information from the current account of the balance of payments for Canada and Singapore in 2019.

	Canada (US$ million)	Singapore (US$ million)
exports of goods	448 360	440 800
imports of goods	462 105	342 805
exports of services	100 350	204 810
imports of services	115 270	119 050
primary income balance	–3 475	–34 340
secondary income balance	–2 060	–6 280

What can be concluded from the table?

A Canada exported more goods than Singapore.

B Canada and Singapore had current account deficits.

C Singapore had a surplus on its trade in goods and services.

D Singapore imported cheaper goods than Canada.

24 What is a measure of a country's terms of trade index?

A $\frac{\text{price index of exports}}{\text{price index of imports}} \times 100$

B $\frac{\text{price index of imports}}{\text{price index of exports}} \times 100$

C $\frac{\text{total value of exports}}{\text{total value of imports}} \times 100$

D total value of exports – total value of imports

25 What is likely to cause an increase in the exchange rate of an economy?

A an increase in demand-pull inflation

B an increase in national income

C a decision of the central bank to raise money supply

D a discovery of a natural resource that replaces imports

26 What is likely to explain an increase in the deficit on a country's current account of the balance of payments?

A an increase in government foreign aid to countries abroad

B an increase in government tax rates

C an increase in other countries' exchange rates

D an increase in the proportion of income saved by the country's residents

27 What does the Marshall–Lerner condition state must be present for a depreciation of a currency to cause an improvement in the current account balance?

A The price elasticity of demand for exports and the price elasticity of demand for imports are both greater than one.

B The price elasticity of demand for exports and the price elasticity of demand for imports are both less than one.

C The sum of the price elasticity of demand for exports and the price elasticity of demand for imports is greater than one.

D The sum of the price elasticity of demand for exports and the price elasticity of demand for imports is less than one.

28 To encourage people to work, a government increases the minimum income level at which people start to pay income tax.

Which types of macroeconomic policy are being followed?

	fiscal policy	monetary policy	supply side policy
A	✓	✗	✓
B	✗	✓	✓
C	✓	✓	✓
D	✓	✓	✗

29 Raising interest rates is proposed to reduce a balance of payments deficit.

Which justification for this action is **not** valid?

A It will attract more foreign currency inflows.

B It will encourage exporters to find new foreign markets.

C It will lower the level of imported consumer goods.

D It will put downward pressure on the exchange rate.

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30 Which combination of changes is **most** likely to result in a fall in a country's inflation rate?

	exchange rate	interest rate	money supply
A	lower	higher	higher
B	higher	higher	lower
C	higher	lower	lower
D	lower	lower	higher

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