Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/12**

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 **12** pages. Any blank pages are indicated.

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1 What is a function of money?

A to act as a medium of exchange

B to be divisible into small units

C to enable bartering to take place

D to maintain its value when inflation is high

2 In a planned economy, what will determine the allocation of scarce resources?

A a mixture of private and central decision making

B the decisions of central government

C the forces of demand and supply

D the revenue generated from direct and indirect taxes

3 A key concept in classifying goods is whether a good is rival or non-rival.

Which good is rival in consumption?

A an ice cream

B street lighting

C a radio broadcast

D the internet

4 What is a normative statement?

A A firm receiving a government subsidy will increase the supply of a good.

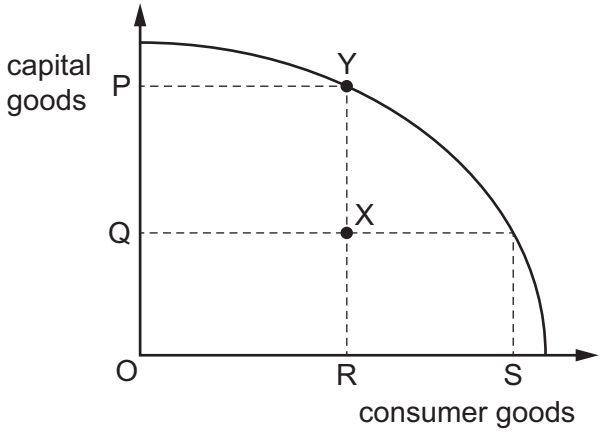
B Negative externalities are the most serious market failure.

C A rise in incomes will lead to a rise in demand for normal goods.

D A rise in the additional rate of income tax will decrease the incentive to work.

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5 The diagram shows an economy's production possibility curve (PPC). The economy has moved from X to Y.



What can be deduced from the diagram?

A Current living standards have fallen.

B The economy has become more efficient.

C There has been a rise in unemployment.

D There has been an opportunity cost of OR consumer goods.

6 An indirect tax is imposed on a product, causing total expenditure by consumers to increase.

Which row identifies this situation?

	price	price elasticity
A	decreases	elastic
B	decreases	inelastic
C	increases	elastic
D	increases	inelastic

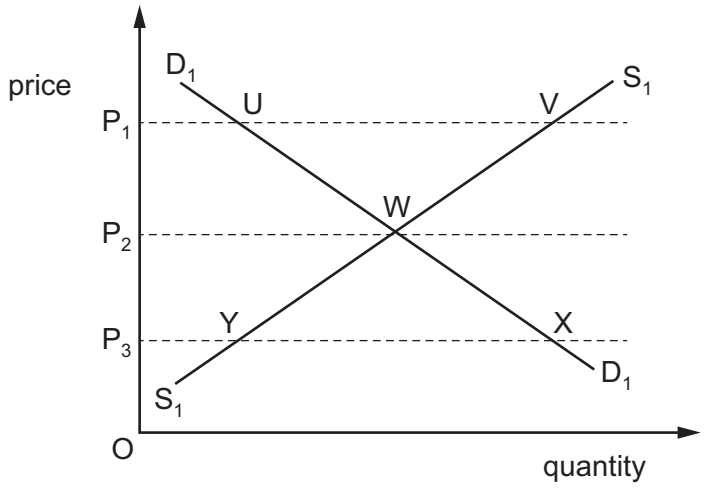
7 The price elasticity of the supply of yoghurt is +1.5.

If the demand for yoghurt rises and price rises by 20%, how much more will be supplied to the market?

A 0.3% **B** 3.0% **C** 13.3% **D** 30%

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8 The diagram shows the market demand for and supply of a good.



Which statement is **not** valid?

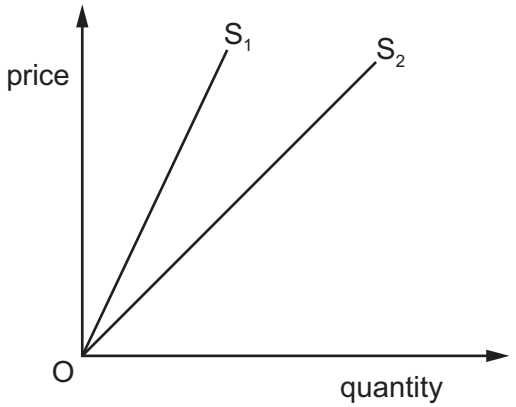
A At price OP_1, UV represents the market surplus.

B At price OP_3, P_3X represents the quantity that consumers are able and willing to buy.

C If price were to fall from OP_1 to OP_3, the extra quantity demanded would be equal to the extra quantity supplied.

D Price OP_2 is the market equilibrium price.

9 The diagram shows two linear supply curves labelled S_1 and S_2, where S_2 is a 45° line.



Which statement about the price elasticity of supply is correct?

A The price elasticity of supply is different at every point along both S_1 and S_2.

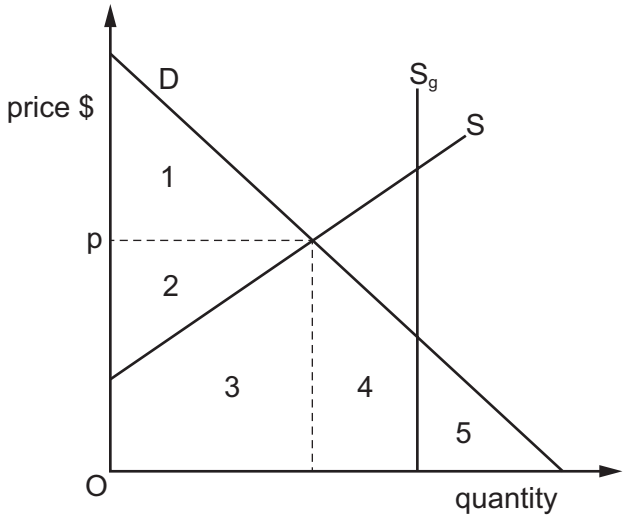
B The price elasticity of supply of S_1 is elastic and S_2 is unit elastic.

C The price elasticity of supply of S_1 is inelastic and S_2 is unit elastic.

D The price elasticity of supply is unit elastic at every point along both S_1 and S_2.

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10 A country has health care provided by the free market. This is replaced by the government provision of S_g free health care.



What is the change in consumer surplus?

A from 1 to (1 + 2)

B from 1 to (1 + 2 + 3 + 4)

C from (1 + 2) to (1 + 2 + 3)

D from (1 + 2) to (2 + 3 + 4 + 5)

11 What is an example of a product in joint demand with a smartphone?

A an alternative brand of smartphone

B a personal computer (PC)

C headphones that can be used with a smartphone

D the metals used in the manufacture of a smartphone

12 A product has a high price elasticity of supply.

What might explain this?

A It has a high opportunity cost.

B It has a non-perishable nature.

C It is classed as an inferior good.

D It is classed as a luxury good.

13 What is likely to affect the position of the demand curve for tickets to pop concerts but **not** the position of the supply curve?

A a change in incomes of potential customers

B a change in price of tickets to the concerts

C a change in rents charged by venue owners

D a change in seating capacity of concert venues

14 The table shows Lee's and Yim's price elasticity of demand for restaurant meals and cinema tickets.

	Lee	Yim
restaurant meals	–1.2	–0.8
cinema tickets	–0.7	–0.3

There is a rise in the price of both products.

What can definitely be concluded after these price changes?

A Restaurant owners will receive more income.

B Lee will spend more money on both products.

C Yim will spend more money on both products.

D Cinema owners will receive less income.

15 A government fixes a maximum price for a product in order to increase its consumption.

What would be the likely outcome of such a policy?

A Consumption will fall if the maximum price is above the current equilibrium price.

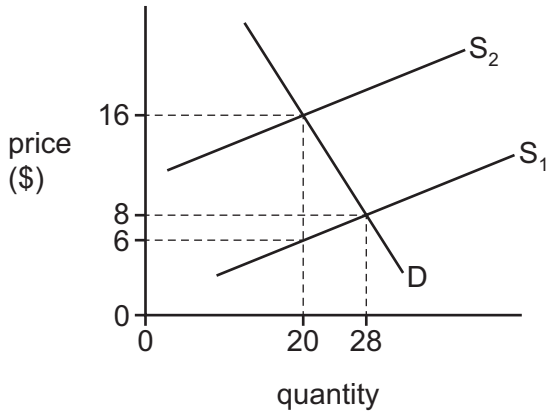
B Consumption will rise if the maximum price is below the current equilibrium price.

C Production will fall if the maximum price is above the current equilibrium price.

D Production will fall if the maximum price is below the current equilibrium price.

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16 The diagram shows demand and supply curves for a good. S_1 is the original supply curve, S_2 is supply after a tax is added.



How much tax revenue is earned by the government?

A $40 **B** $160 **C** $200 **D** $320

17 What is a transfer payment?

A the advertising expenditure of a firm

B the allowance given by a parent to their child while at school

C the rent paid to a land owner by a tenant farmer

D the wage paid to a worker in the government service

18 What best illustrates the process of privatisation?

A a single private shareholder acquires complete control of an organisation

B the purchase of government bonds by private sector commercial organisations

C the purchase of shares in a private company

D the transfer of public sector assets to the private sector

19 What defines a progressive tax?

A Low-income earners pay the same proportion of income in taxes as high-income earners.

B Low-income earners pay a lower proportion of income in taxes than high-income earners.

C Low-income earners pay less in taxes than high-income earners.

D Low-income earners pay more in taxes than high-income earners.

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20 An increase in what will shift the aggregate demand curve in an economy to the right?

A budget deficit

B consumer savings

C general price level

D interest rate

21 Which effect of inflation is described as redistributive?

A the improvement in the terms of trade

B the deterioration in the balance of trade

C the inconvenience of frequently changing prices

D the loss of purchasing power for people on fixed incomes

22 In which situation will a country's terms of trade improve?

A Its total value of imports rises less than its total value of exports.

B Its volume of imports rises less than its volume of exports.

C The prices of its imports rise by less than the prices of its exports.

D The value of its external payments rises by less than the value of its external receipts.

23 Country X joins a customs union with country Y and will remove the tariff on its imports of good M from country Y.

Under which conditions will trade creation in country X be the largest?

	existing size of country X's tariff on imports of good M	price elasticity of demand for good M in country X
A	large	–0.8
B	large	–1.4
C	small	–0.8
D	small	–1.4

24 What is likely to happen if there is a fall in the international value of a country's currency?

A a rise in the foreign currency price of its exports

B a rise in the volume of its exports

C a fall in the domestic currency price of its imports

D a fall in the domestic price level

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25 From the same quantity of factors of production, country X and country Y each produce the following units of output.

country	sugar	textiles
X	30	20
Y	40	10

Which statement is correct?

A Country X has absolute advantage in the production of both goods.

B Country X has comparative advantage in the production of sugar.

C Country Y has absolute advantage in the production of textiles.

D Country Y has comparative advantage in the production of sugar.

26 Following a 10% depreciation in the $ value of the £ sterling, a UK exporter leaves the $ price of the goods it sells in the US market unchanged.

Other things being equal, what will be the effect on the revenue measured in sterling obtained by the manufacturer from its sales in the US?

A It will increase.

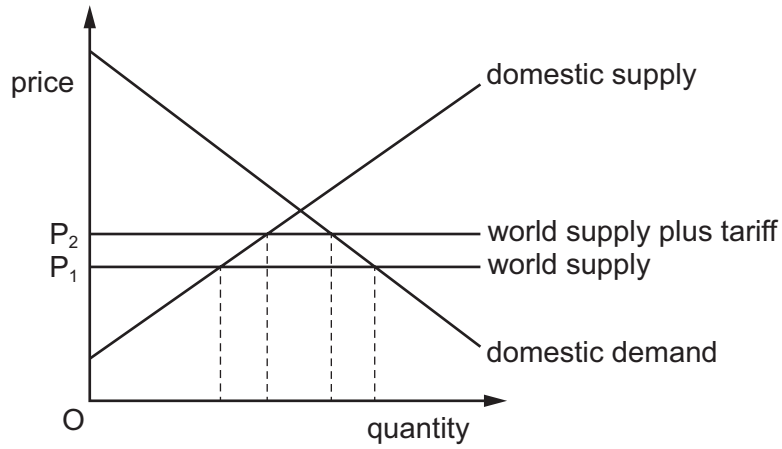
B It will decrease.

C It will be unchanged.

D It will depend on the elasticity of demand for the manufacturer's good in the US.

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27 The diagram shows the effect of introducing a tariff on a product.



What determines the producer surplus that the tariff generates for domestic producers?

A the price elasticities of domestic supply and demand

B the tariff rate and the price elasticities of both domestic demand and supply

C the tariff rate and the price elasticity of domestic demand

D the tariff rate and the price elasticity of domestic supply

28 Which government policy is most likely to cause expenditure switching that will benefit a country's current account?

A increasing import quotas

B increasing income tax allowances

C increasing spending on unemployment benefits

D increasing subsidies to domestic firms

29 Which type of economic policy is likely to be considered the most effective by a government that has greater income equality as its primary aim?

A fiscal policy

B international trade policy

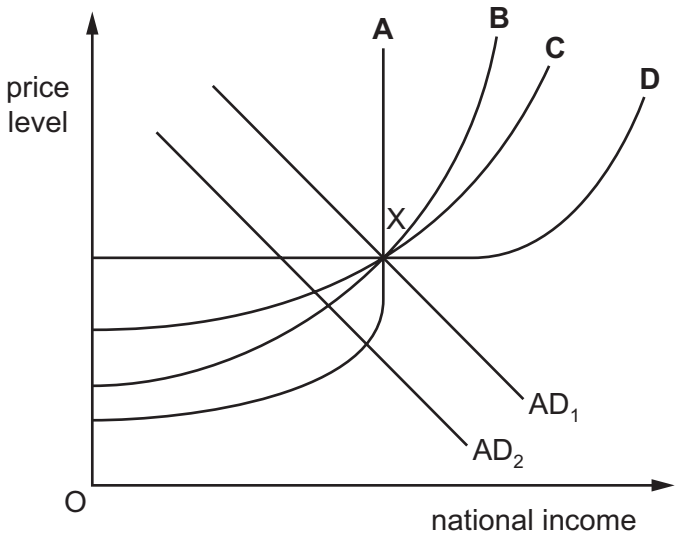
C monetary policy

D supply side policy

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30 The diagram shows four possible aggregate supply curves and an equilibrium point X. A government employs deflationary fiscal policy in order to reduce the rate of inflation in its economy. This shifts aggregate demand to AD_2.

With which AS curve would this policy be most effective?



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