Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/13**

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.

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1 Which action would **not** raise the quality of the particular factor of production?

A capital – operating a machine continuously at full capacity

B enterprise – providing risk management advice

C land – increasing the use of fertilisers

D labour – making apprenticeships and training compulsory

2 During a period of deflation an economy's aggregate monetary demand falls.

Which function of money explains this fall?

A a measure of value

B a medium of exchange

C a standard for deferred payment

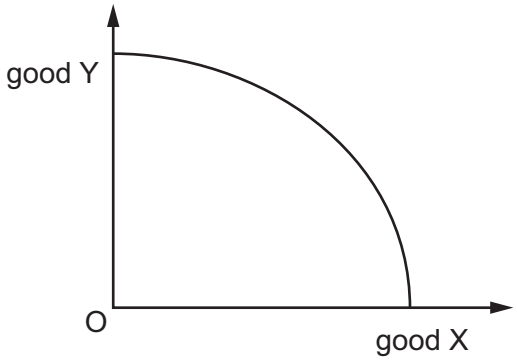
D a store of value

3 What will usually result if production is divided into separate processes that are assigned to different people?

	lower output per worker	more repetitive tasks	lower costs
A	no	no	no
B	no	yes	yes
C	yes	no	no
D	yes	yes	yes

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4 The diagram shows a production possibility curve.



Which combination is correct?

	opportunity cost of producing more of good Y	opportunity cost of producing more of good X
A	decreases	decreases
B	decreases	increases
C	increases	decreases
D	increases	increases

5 A government wishes to ensure adequate flood defences are provided in its coastal areas.

Which action is most likely to be undertaken **only** by the government?

A building the defences

B designing the defences

C financing the defences

D maintaining the defences

6 Consumer surplus exists in the market for rice.

What does this mean?

A Consumers benefit from rice production more than producers.

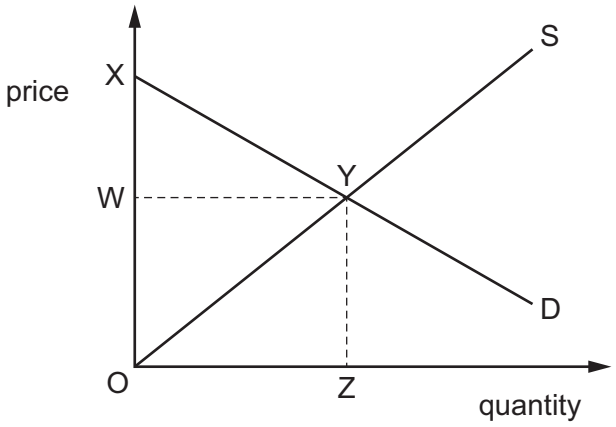
B Consumer demand for rice exceeds supply.

C Some consumers would be willing to pay more than the market price for rice.

D The production of rice exceeds the supply.

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7 The diagram shows the demand curve and supply curve for a product.



Which area represents producer surplus?

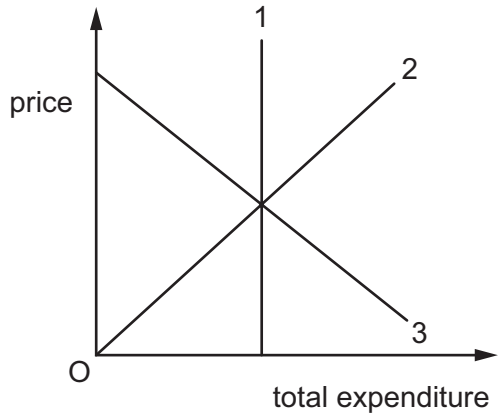
A OWYZ minus OWY

B OWYZ minus OYZ

C OXYZ minus OYZ

D OXYZ minus WXY

8 The diagram shows the relationship between total expenditure and price for three products, 1, 2 and 3.



Which curves represent the products with price-elastic and unitary price-elastic demand?

	elastic	unitary
A	1	2
B	2	3
C	3	1
D	3	2

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9 What causes an inelastic market supply curve for an agricultural crop such as wheat?

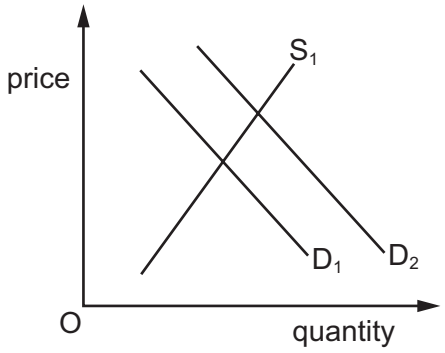
A a government decision to import crops at times of shortage

B an efficient use of fertilisers causing crop production to rise

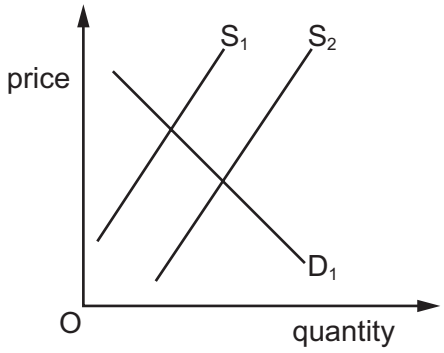
C the storage of excess production for future sale

D the very long time required to produce additional output

10 The diagrams show the effect of a change in the market for good X on the market for good Y.



good X



good Y

What can be concluded about the goods?

A X and Y are complements.

B X and Y are in joint supply.

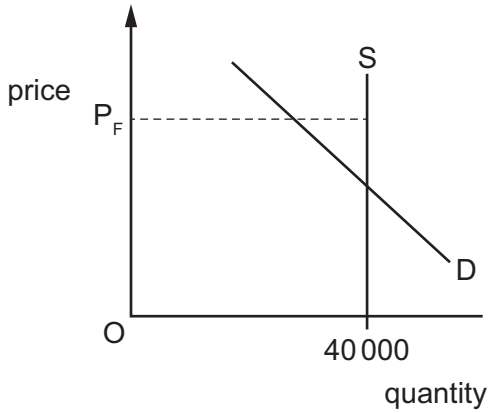
C X and Y are substitutes.

D Y is a derived demand from X.

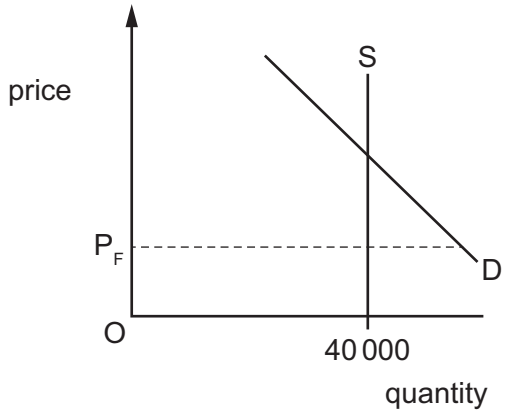
11 The final of a major sports event is held in a stadium which has a fixed capacity of 40 000 people. The price for a seat is set at P_F, but when the tickets go on sale all tickets are sold very quickly with many disappointed people unable to buy a ticket.

Which diagram best represents this?

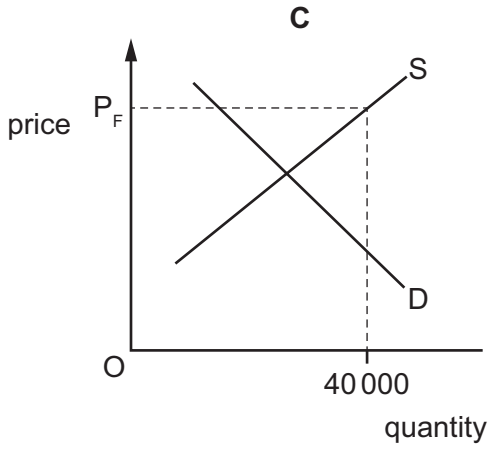
A



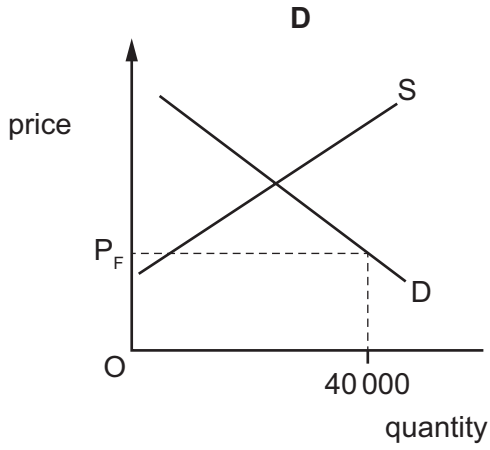
B



C



D



12 Which product has the lowest price elasticity of demand?

	price rises by (%)	quantity demanded falls by (%)
A	0	10
B	5	5
C	10	5
D	10	0

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13 The market for a product is initially in equilibrium.

Which combination of changes will cause the price of the product to rise and the quantity sold to fall?

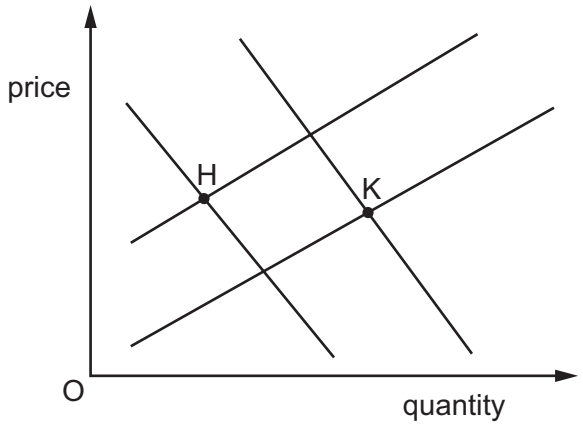
A a decrease in demand that is larger than a decrease in supply

B a decrease in demand that is smaller than a decrease in supply

C an increase in demand that is larger than an increase in supply

D an increase in demand that is smaller than an increase in supply

14 The diagram shows two demand curves and two supply curves. The initial equilibrium is at H.



Which combinations of shifts in the demand and supply curves would result in a change in the equilibrium position from H to K?

A an increase in demand and an increase in supply

B an increase in demand and a decrease in supply

C a decrease in demand and an increase in supply

D a decrease in demand and a decrease in supply

15 In 2009, the Australian Government made a payment of $900 to those who earned less than $100 000 per year.

How would this payment best be described?

A neutral

B progressive

C proportional

D regressive

16 The market for good Z is in equilibrium with 1000 units sold at a price of $10. The government pays a subsidy of $2 per unit to producers of good Z.

Under which conditions will the total spending by the government on the subsidy be **smallest**?

	price elasticity of demand for good Z	price elasticity of supply for good Z
A	< 1	< 1
B	< 1	> 1
C	> 1	< 1
D	> 1	> 1

17 If an industry is currently state-owned and state-run, what does **not** represent a reason for it being privatised?

A Decisions will no longer be taken with political considerations in mind.

B The benefits of merit goods will be taken into account in decision-making.

C Its owners would have more incentive to make it operate profitably.

D There will be greater incentives for managers to introduce modern technology.

18 What does the incidence of an indirect tax on a product refer to?

A the proportion of the tax paid by the consumer relative to the producer

B the reduction in output as a result of the imposition of the tax

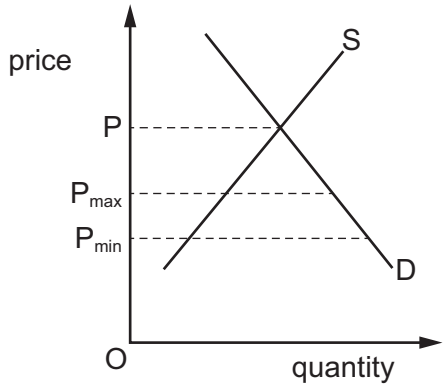
C the revenue the tax generates for the government

D the increase in the hidden economy as a result of tax evasion after the tax is imposed

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19 A government wishes to influence the price of a good. It introduces a maximum price, P_{max}, and a minimum price, P_{min}.

The diagram shows these prices relative to the current market price P.



What can be concluded from the diagram?

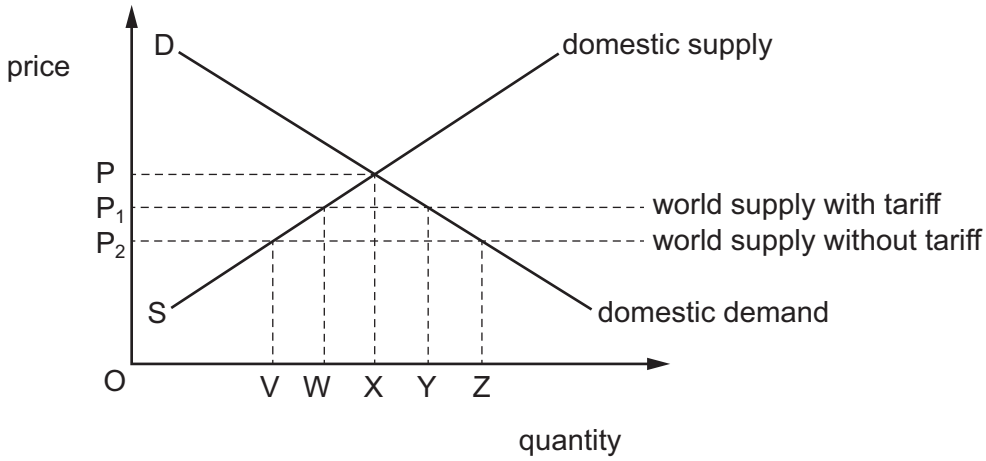
A Both the maximum and the minimum price will be effective.

B Only the maximum price will be effective.

C Only the minimum price will be effective.

D The market price will continue to operate.

20 A government removes the tariff on a product, as shown.



What will be the change in domestic production?

A a reduction of WV

B a reduction of XV

C a reduction of XW

D a reduction of ZY

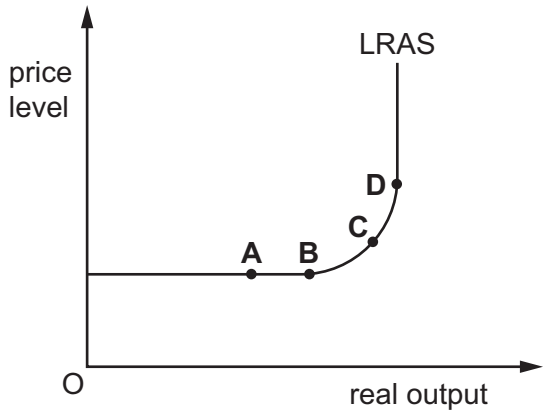
21 An economy is initially in equilibrium.

Which combination of events will **definitely** cause an increase in the general price level of the economy and a decrease in its real output?

	aggregate demand	short-run aggregate supply
A	decreases	decreases
B	decreases	unchanged
C	increases	decreases
D	unchanged	decreases

22 The government of a country changes from a balanced budget to a budget deficit.

From which point along the country's long-run aggregate supply curve (LRAS) will this change cause the largest increase in employment without creating inflationary pressure?



23 The price and volume indexes of a country's imports and exports are shown in the table, for year 2 [year 1 = 100].

year 2 price index		year 2 volume index	
imports	exports	imports	exports
110	121	90	80

What is the country's terms of trade index for year 2?

A 90.9 **B** 97.8 **C** 110.0 **D** 111.0

24 What is a certain outcome on an aggregate demand and aggregate supply diagram of an increase in factor productivity?

A downward shift of the aggregate demand curve

B downward shift of the aggregate supply curve

C an upward shift of the aggregate demand curve

D an upward shift of the aggregate supply curve

25 Trade in services is a component of the current account of the balance of payments.

What is an example of a trade in services?

A development aid for foreign countries

B export revenue from primary commodities

C income from foreign tourists

D income from overseas investments

26 Which statement about changing price levels is correct?

A Anyone on a fixed income has rising real income during deflation.

B Government revenue from indirect taxes falls during inflation.

C Producers prefer deflation to inflation.

D Savers prefer index-linked savings when there is deflation rather than inflation.

27 What would be likely to decrease inflation in an economy?

A a decrease in consumer saving

B a decrease in unemployment

C an increase in labour productivity

D an increase in taxes on imports

28 Which change in economic circumstances is **most** likely to lead to a reduction in the rate of domestic inflation in an economy?

A a depreciation in the currency

B a reduction in the productivity of labour

C a worldwide recession

D an increase in direct taxes to finance increased welfare payments

29 A country is currently experiencing deflation. It has a large national debt that is greater than its annual real income.

Which combination of policies is most likely to increase the general price level without adding to the national debt?

	fiscal policy	monetary policy
A	decrease the budget deficit	decrease the money supply
B	decrease the budget deficit	increase the money supply
C	increase the budget deficit	decrease the money supply
D	increase the budget deficit	increase the money supply

30 Which government action will conflict with the named economic target?

	target	action
A	lower price inflation	lower exchange rate
B	more consumer spending	lower interest rates
C	more equal incomes	lower indirect tax rate
D	reduced import levels	smaller trade quotas

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