Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/11**

Paper 1 AS Level Multiple Choice **October/November 2023**

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 What will help solve the basic economic problem?

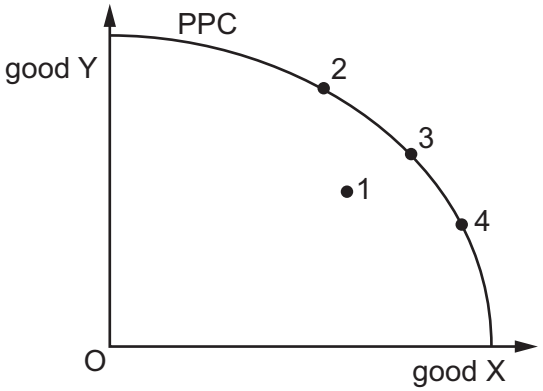
A the control of the market system

B the efficient allocation of scarce resources

C the preservation of a healthy environment

D the elimination of hunger

2 Country Z operates with a production possibility curve (PPC). Currently, output is at combination 1.



Which movement has zero opportunity cost in terms of the goods produced?

A 1 to 2 **B** 1 to 3 **C** 2 to 3 **D** 3 to 4

3 A country's health care is funded by taxation but can be used free of charge by patients.

Which type of good is health care in this country?

A demerit good

B free good

C private good

D public good

4 What is **least** likely to increase as a result of a transition from a planned economy to a free market economy?

A prices of goods and services

B privately owned resources

C provision of merit goods

D structural unemployment

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5 Which statement correctly describes the area of producer surplus on a demand and supply diagram?

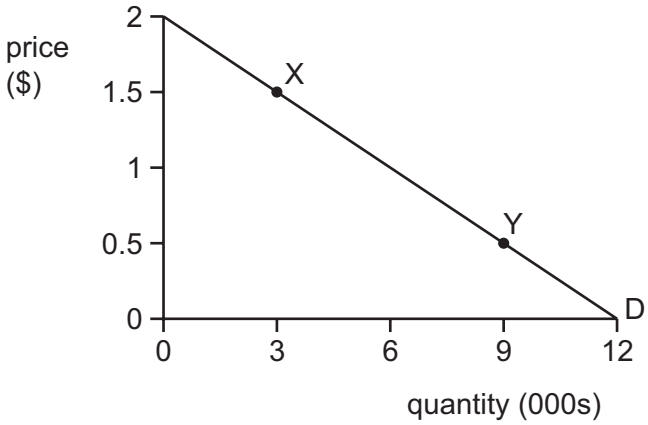
A It is above the supply curve and below the equilibrium price line.

B It is above the supply curve and below the demand curve.

C It is below the demand curve and above the equilibrium price line.

D It is below the supply curve and above the horizontal axis.

6 The diagram shows a demand curve for pineapples.



What happens to the value of price elasticity of demand (PED) when there is a movement from point X to point Y and what describes the value of PED at point Y?

	effect on value of PED	value of PED at Y
A	fall	elastic
B	fall	inelastic
C	rise	elastic
D	unchanged	unitary

7 In a free market, there is a surplus of a good.

Which change would cause the market to come to an equilibrium?

A a decrease in demand

B a fall in price

C a government minimum price

D an increase in supply

8 The cross-elasticity of demand between good P and good Q is –0.4.

The cross-elasticity of demand between good P and good R is +0.6.

Which combination of goods is most likely to be represented by this information?

	good P	good Q	good R
A	cream	yoghurt	raspberry
B	yoghurt	strawberry	raspberry
C	strawberry	cream	raspberry
D	strawberry	raspberry	cream

9 The supply, S, of a product is determined by the equation

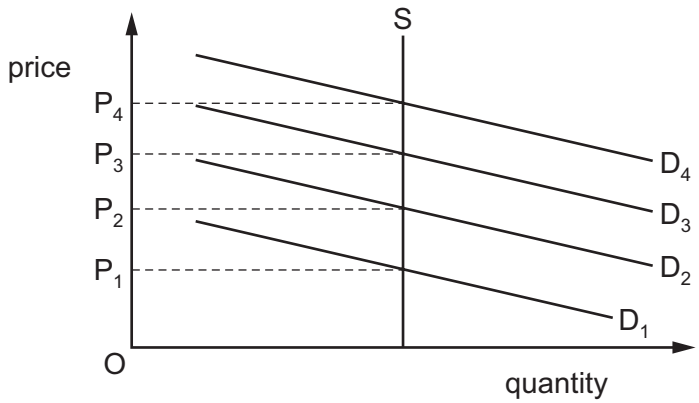
$$S = 10 + 10P$$

where P is the price of the product in $.

What is the product's price elasticity of supply when its price rises from $1 to $2?

A 0.5 **B** 1.0 **C** 2.0 **D** 5.0

10 In the diagram, the supply curve shows the number of spaces in a car park and the demand curves show the demand for spaces on four different days, D_1, D_2, D_3 and D_4.



The owner wishes to charge a parking fee on each of these days to allocate the spaces according to the market mechanism.

Which pricing policy should the owner use?

A set a fixed price at P_1

B set a fixed price at P_4

C vary prices between P_2 and P_3

D vary prices between P_1 and P_4

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11 The table shows the demand schedule for textbooks.

price $	quantity demanded
50	0
40	100
30	200
20	300
10	400
0	500

What can be concluded from this information?

A Profit would be maximised at a price of $30.

B Profit would not change if the price rose from $20 to $30.

C Revenue would increase if the price was decreased from $40 to $30.

D Revenue would be maximised at a price of $40.

12 Which event is most likely to enable firms to respond to an increase in demand by increasing supply rather than by raising price?

A Firms reduce their expenditure on the training of workers.

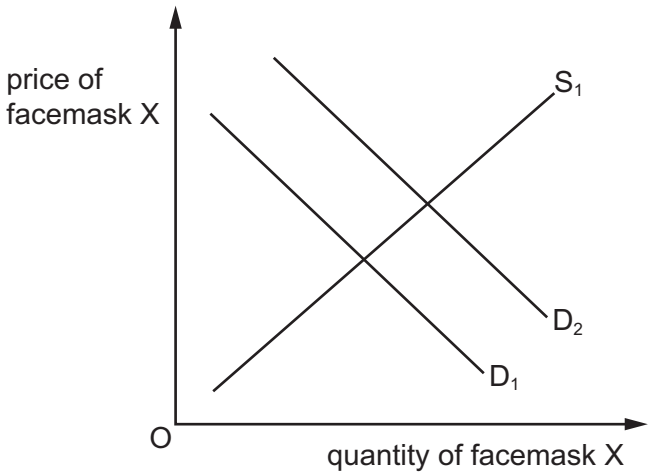
B Import duties are increased on machines that increase the speed of production.

C The government introduces buffer stock schemes for the goods produced by the firm.

D Trade unions become strong, leading to poor labour productivity.

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13 In the diagram, S_1 is the supply curve and D_1 is the initial demand for facemask X. A rival firm produces facemask Y, which is a close substitute.



What would cause the demand curve to shift to D_2?

A a decrease in the costs of the materials to make facemask X

B a decrease in the costs of the materials to make facemask Y

C an increase in the price of facemask X

D an increase in the price of facemask Y

14 A government introduces charges for vehicles using the roads in its capital city.

Which characteristic must the roads have for this to be successful in reducing congestion?

A The roads must be excludable.

B The roads must be merit goods.

C The roads must be non-rivalrous.

D The roads must be public goods.

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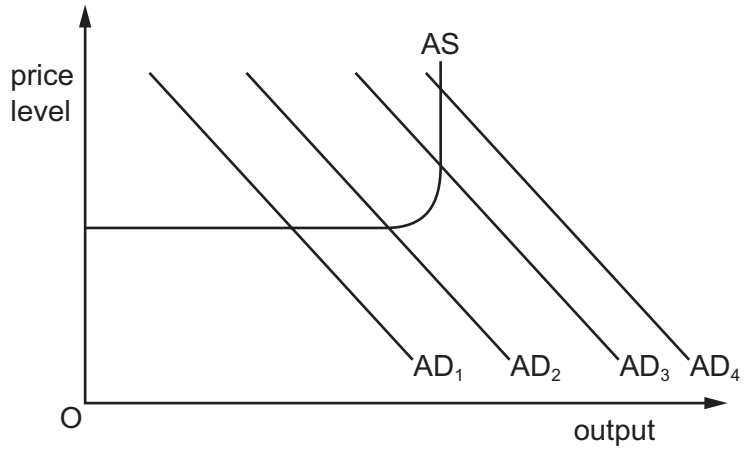
15 The table shows the tax an individual would pay at different levels of income.

annual income ($)	tax paid ($)
20 000	1 000
30 000	3 000
40 000	6 000
50 000	8 000
60 000	12 000

What is the average rate of taxation and the marginal rate of taxation for an individual with an annual income of $50 000?

	average rate of taxation %	marginal rate of taxation %
A	15	16
B	16	20
C	16	28
D	20	20

16 A government has increased output with no effect on the price level.



What must have been the initial level of aggregate demand (AD)?

A AD_1 **B** AD_2 **C** AD_3 **D** AD_4

17 What is **not** included in the measurement of national income?

A benefits paid to the unemployed

B dividends paid to shareholders

C profits retained by companies

D rent paid to landlords

18 Four students have to fill in the gaps in the sentence shown.

'A person is defined as unemployed if they are .....1..... to work at .....2..... wage rate, but cannot find a job despite an active search for work.'

Which student fills gaps 1 and 2 correctly?

	1	2
A	able	below the current
B	able	the current
C	able, available and willing	above the current
D	able, available and willing	the current

19 Which statement best describes the consumer prices index (CPI)?

A It is a measure of changes in the spending patterns of the average household.

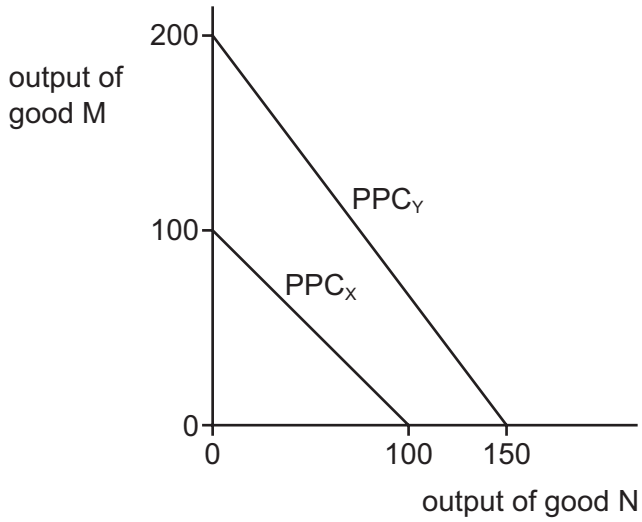
B It is a measure of changes in the standard of living of the average household.

C It is a measure of the average change in prices of a basket of goods and services over time.

D It is a measure of the level of prices of all goods and services.

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20 The diagram shows the production possibility curves (PPCs) for country X and country Y, the only two countries in the world. Both countries produce just two goods, M and N.



Under which terms of trade will **both** country X and country Y benefit from trading with each other?

A 1M for 0.75N

B 1M for 0.8N

C 1M for 1N

D 1M for 2N

21 Why is increased government provision of education most likely to shift the aggregate demand curve to the right?

A It will increase aggregate supply.

B More schools will be built.

C The government will have to raise taxes.

D Workers will be more highly skilled.

22 Which item is **not** included in the current account of a country's balance of payments?

A exports of services

B interest on foreign loans

C profits from foreign investments

D the purchase of foreign assets

23 Under which conditions will nominal GDP and real GDP increase at the same rate in an economy?

	rate of change of national output (% per annum)	rate of change of general price level (% per annum)
A	0	–2
B	0	+2
C	+2	0
D	+2	+2

24 General equilibrium in the macroeconomy is achieved when total injections are equal to total leakages.

What is most likely to cause disequilibrium in the macroeconomy in the short run?

A an increase in government spending of $10bn and a decrease in exports of $10bn

B an increase in investment of $30bn and a decrease in household savings of $30bn

C an increase in spending on imports of $40bn and an increase in government spending of $40bn

D an increase in taxation of $40bn and a decrease in spending on imports of $40bn

25 What would be the most likely reason for a decrease in frictional unemployment?

A more capital-intensive manufacturing

B more demand for public sector workers

C more government spending on education

D more information on labour market vacancies

26 A Kenyan banker who lives and works in India sends 15% of their wage back to Kenya every month.

What would be the change in the current account components for either country?

A a fall in secondary income for India

B an increase in the balance of trade in services for Kenya

C an increase in the current account surplus for India

D an increase in primary income for Kenya

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27 Over a period of a year, the annual rate of inflation becomes negative.

Which statement must be correct?

A The cost of living has fallen.

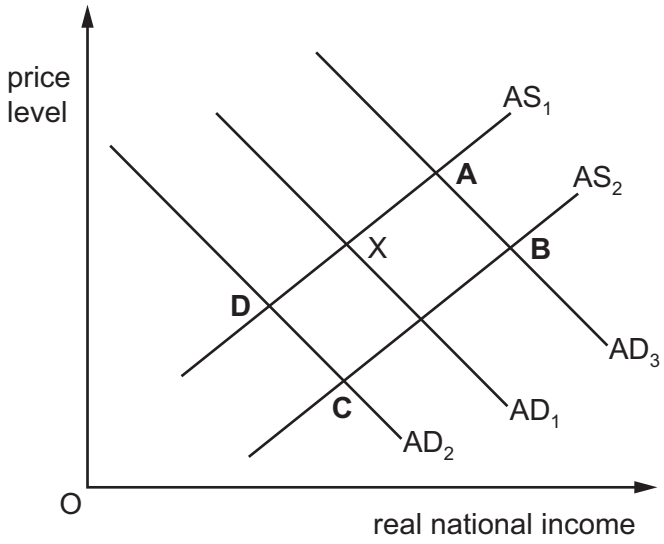
B The purchasing power of money has fallen.

C The standard of living has increased.

D There has been an increase in the Consumer Price Index.

28 The government of a country plans to raise income tax rates. The initial equilibrium for the country is represented by point X on the diagram.

Which new equilibrium point would an economist predict as the result?



29 Which combination would represent the most expansionary set of monetary policies?

	credit availability	interest rates	money supply
A	increased	up	reduced
B	increased	down	increased
C	reduced	up	increased
D	reduced	down	reduced

30 An economy is experiencing accelerating cost-push inflation.

Which group is likely to be **least** concerned by this?

A borrowers

B consumers

C creditors

D exporters

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