Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/13**

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. Any blank pages are indicated.

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1 A factory introduces an automated production line to take advantage of division of labour.

What is most likely to increase?

A average cost of production

B job satisfaction of workers

C range of skills of each worker

D worker productivity

2 Consumers do not use enough of a product to maximise their private benefit because they have imperfect information about the product.

How would an economist classify this product?

A demerit good

B free good

C merit good

D public good

3 The table shows different combinations of rings and bracelets that can be produced by Luke and Zoe in the same time period.

Luke		Zoe	
rings	bracelets	rings	bracelets
18	0	20	0
12	6	16	8
6	12	12	16
0	18	8	24

Which statement is **not** correct?

A Luke has a larger opportunity cost than Zoe for making bracelets.

B The opportunity cost of producing rings is constant for both Luke and Zoe.

C Zoe should specialise in making rings.

D Zoe's opportunity cost for each bracelet is 2 rings.

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4 What is an example of a free good?

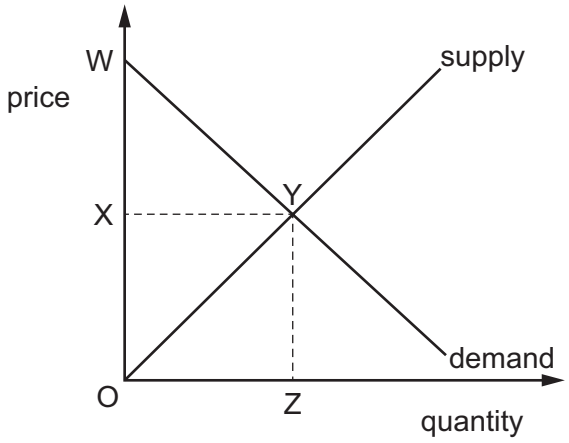
A a government sponsoring a free vaccination programme for its citizens

B a hospital providing free treatment to the poor

C a school providing free education to outstanding students

D anything that provides free utility but is not scarce

5 The diagram shows the market for computers in Pakistan.



Which areas represent consumer surplus and consumer expenditure?

	consumer surplus	consumer expenditure
A	WXY	OXY
B	WXY	OXYZ
C	WYO	OXYZ
D	WYO	OYZ

6 The supply curve for a firm is a horizontal straight line.

What can be concluded from this statement?

A Quantity supplied is infinite at the given price.

B Quantity supplied is infinite below the given price.

C Quantity supplied remains constant at all prices.

D Quantity supplied is perfectly inelastic.

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7 When the incomes of consumers of good X fall by 5%, under which conditions will the demand curve shift furthest to the right?

	nature of good X	income elasticity of demand for good X
A	inferior good	–0.8
B	inferior good	–1.2
C	normal good	+0.9
D	normal good	+1.5

8 Good P and good Q are substitutes. There is a decrease in supply of good P because of a shortage of materials.

Which row describes what will happen to demand?

	good P	good Q
A	contraction	extension
B	contraction	shift to right
C	shift to left	shift to left
D	shift to left	shift to right

9 The pressure to reduce the use of fossil fuels has led to oil companies reducing the level of investment in the exploration of new reserves.

What will be the long-run effect of such a policy on the market for oil?

	market change	price change
A	upward movement along the demand curve	price decreases
B	downward movement along the demand curve	price increases
C	supply shifts to the left	price increases
D	supply shifts to the left	price decreases

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10 The price elasticity of demand for a product is –0.6.

The supplier wants to clear all surplus stock of a product and reduces the price of a good by 50%.

What is the effect of this price change on the quantity purchased and the expenditure on the good?

	quantity demanded	expenditure
A	rises by 30%	falls
B	rises by 30%	rises
C	rises by 60%	falls
D	rises by 60%	rises

11 A firm is producing 100 units at a price of $10. The price elasticity of supply is 0.5 and the price is raised to $12.

What is the new level of output?

A 75 **B** 110 **C** 125 **D** 150

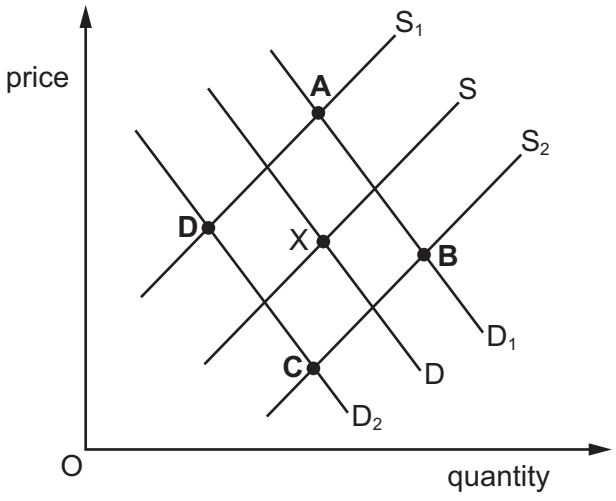
12 In a town, bus fares fall by 50% and this leads to an increase in bus use by 30%. The effect on car use is very low with only a 1% reduction.

What is the value of the cross-elasticity of demand between car travel and bus travel?

A –0.60 **B** –0.02 **C** +0.02 **D** +0.60

13 In the diagram, the demand and supply curves for wheat in Australia are shown. Initial equilibrium is at X. The government imposes a sales tax on wheat at the same time as increasing the rate of income tax.

Which point could represent the new equilibrium?



14 A free market is currently experiencing excess supply at a price of P_1.

What will be the effect on the current market situation if a maximum price is set above P_1?

A The excess supply will increase.

B The market will move into an equilibrium position.

C There will be no effect.

D There will be excess demand.

15 What is a likely **disadvantage** of a government's provision of transfer payments to the unemployed?

A decrease in the standard of living

B disincentive to accept paid work

C increase in inequality

D increase in poverty

16 Which combination of policies would increase the inequality of the distribution of income and wealth?

	progressive taxes	minimum wage	transfer payments
A	decrease	increase	reduce
B	decrease	reduce	reduce
C	increase	increase	increase
D	increase	reduce	increase

17 Which changes will increase the circular flow of income?

	higher imports	higher investment	higher taxation
A	yes	no	no
B	yes	yes	no
C	no	yes	yes
D	no	yes	no

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18 An economy in equilibrium has a trade deficit of $20bn and a budget surplus of $20bn. Investment spending is $50bn.

What is the total saving?

A $5bn **B** $10bn **C** $15bn **D** $20bn

19 A finance company incurs heavy losses and makes an accountant redundant.

The accountant seeks a new job through an employment agency which specialises in jobs in accounting.

What describes the type of unemployment of the accountant who is seeking a new job?

A frictional

B seasonal

C structural

D technological

20 An aggregate demand curve slopes downwards from left to right.

One reason for this is that a reduction in the average price level will lead to

A a decline in the country's international competitiveness.

B an increase in interest rates.

C an increase in the real value of money balances.

D the expectation of further price falls.

21 Which components are included as primary income in the current account of the balance of payments?

	trade in goods	current transfers	employment income from abroad
A	✓	✓	✓
B	✓	✗	✗
C	✗	✓	✗
D	✗	✗	✓

key

✓ = included

✗ = not included

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

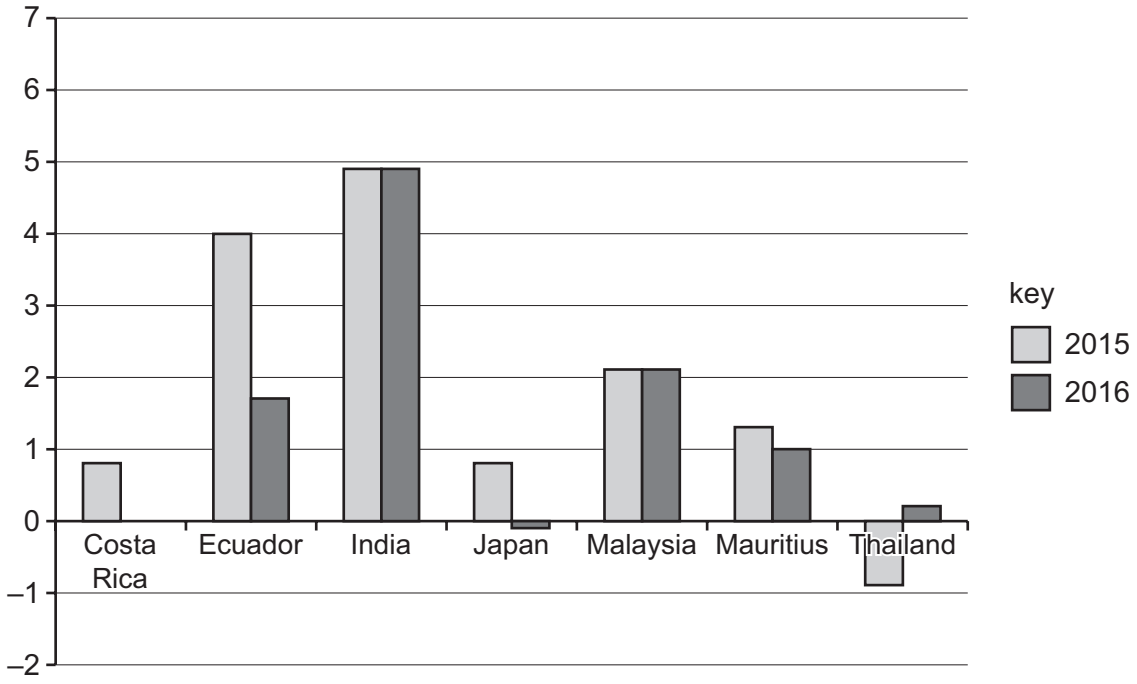
A dividends paid to shareholders

B overtime payments

C rents from government-owned houses

D welfare benefit payments

23 The graph shows the rate of inflation for seven countries for 2015 and 2016.



What can be concluded from this graph?

A Prices in Costa Rica rose in 2015 but remained constant in 2016.

B Prices in Ecuador and Mauritius were lower in 2016 than in 2015.

C Prices in India and Malaysia remained constant in 2016 and 2015.

D Prices in Thailand and Japan were lower in 2016 than in 2015.

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24 Country R and country S are going to trade 1 unit of product X for $\frac{1}{2}$ unit of product Y.

With a given amount of resources:

- country R can produce either 30 units of product X or 50 units of product Y
- country S can produce either 20 units of product X or 25 units of product Y.

Which statement is correct, according to the theory of comparative advantage?

A Free trade will benefit both R and S.

B Free trade will benefit neither R nor S.

C Free trade will benefit R but not S.

D Free trade will benefit S but not R.

25 What is the most likely cause of a current account deficit on the balance of payments?

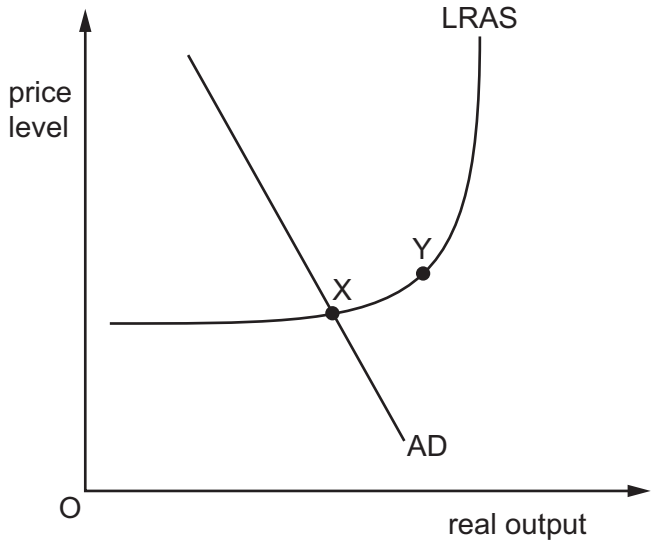
A an undervalued exchange rate

B a relatively low rate of inflation

C a shrinking domestic economy

D a general fall in national productivity

26 The diagram shows the long-run aggregate supply (LRAS) and aggregate demand (AD) curves for an economy.



The initial equilibrium is at point X.

Which combination of monetary policies will shift the equilibrium position to point Y?

	money supply	rate of interest
A	increase	increase
B	decrease	increase
C	increase	decrease
D	decrease	decrease

27 The government undertakes a policy of financing training and retraining for unemployed workers.

Which terms are most likely be used to classify this policy?

	demand-side	supply-side	fiscal	monetary
A	yes	no	yes	no
B	yes	no	no	yes
C	no	yes	no	yes
D	no	yes	yes	no

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28 Which combination of initial equilibrium and supply-side policy is likely to be **least** effective when attempting to increase the real output of an economy?

	initial equilibrium real output	supply-side policy measure
A	below full employment	abolition of national minimum wage
B	below full employment	extra spending on training
C	full employment	extra investment in infrastructure
D	full employment	reduction in the rate of income tax

29 A government aims to reduce unemployment through expansionary fiscal policy and borrows more from the commercial banks, increasing its borrowing requirement.

What will be the result?

A a decrease in the budget deficit

B a decrease in the national debt

C an increase in the balance of payments deficit on the current account

D an increase in the interest rates

30 A government wants to use an expansionary monetary policy.

What should the government increase?

A credit regulations

B the exchange rate

C the interest rate

D the money supply

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