Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/11**

Paper 1 AS Level Multiple Choice **October/November 2024**

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 Which statement is a normative statement?

A The annual rate of inflation in Malaysia increased from 2.8% in May 2022 to 3.4%.

B The annual rate of inflation was 3.4% in Malaysia, lower than the 7.7% annual rate of inflation for Thailand.

C The Malaysian Central Bank raised interest rates from 2.0% to 2.25% on 6 July 2022.

D The rise in interest rates in Malaysia in July 2022 is expected to only have a small impact on the rate of inflation.

2 A firm operating in country S moved its existing capital equipment to a larger factory in country T. It also installed more of the same equipment and increased the size of its workforce.

From the evidence provided, what must be true?

A The firm is operating in the long run.

B The firm is operating in the very long run.

C The firm's division of labour has increased.

D The firm's supply curve has shifted to the left.

3 Which statement is **not** correct?

A Addictive drugs are regarded as demerit goods because users are unaware of the full damage they do.

B Air is regarded as a free good because its use has no opportunity cost.

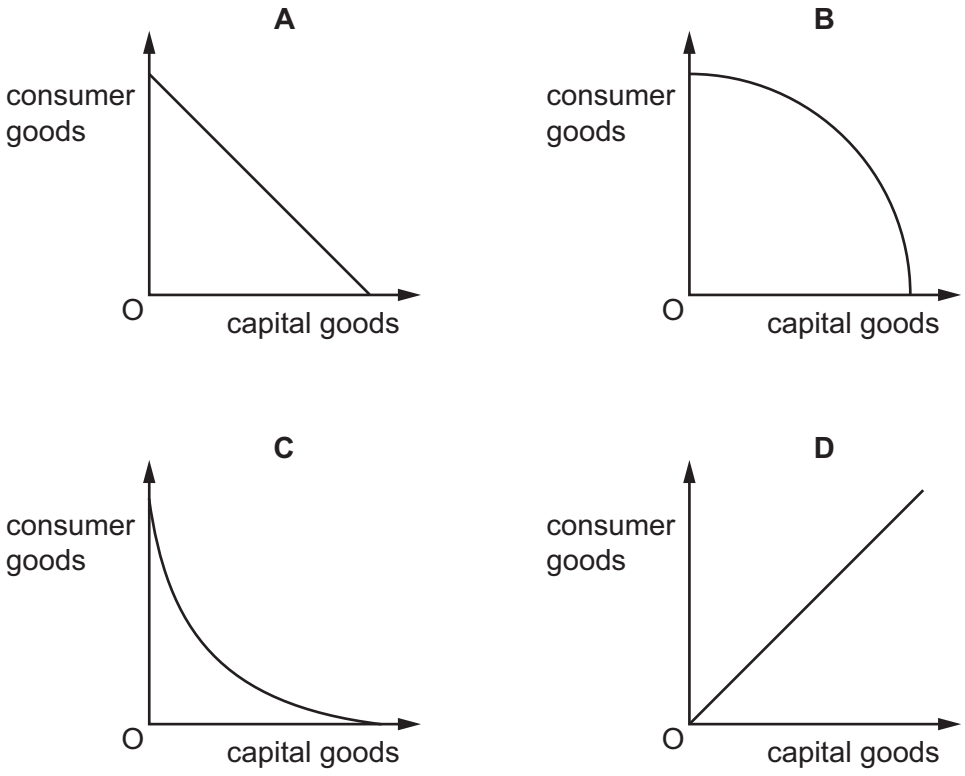
C National defence is regarded as a public good because one citizen 'consuming' it reduces the amount of it available to others.

D Visits to a doctor are regarded as private goods partly because they are rival.

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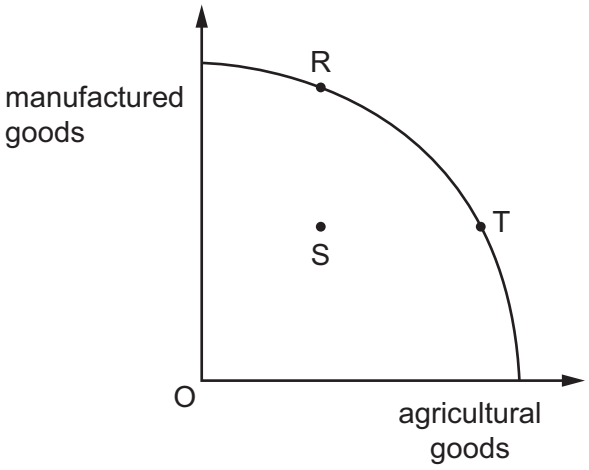
4 The diagrams show production possibility curves.

Which diagram shows constant opportunity costs?



5 Farmers using traditional methods lack access to finance and often employ family members on a part-time basis.

If working practices in agriculture could be improved, how would this be likely to be shown on the production possibility curve?



A by a movement from R to T

B by a movement from S to R

C by a movement from S to T

D by a movement from T to R

6 In a particular year, 12 000 units of a good are sold at $1 per unit. In a later year, 14 000 units are sold at $1.20 per unit.

If consumer tastes have remained constant, what could account for the change between the two years?

A a decrease in the price of raw materials used by producers

B an increase in the price of a substitute good

C an increase in the rate of tax imposed on producers

D the formation of a monopoly in the production of the good

7 What is most likely to cause an increase in the consumer surplus in the market for a normal good?

A an increase in consumer incomes

B an increase in the number of substitute goods

C an increase in the price of a complementary good

D an increase in the price of the good

8 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	–1.3

There is a rise in the price of restaurant meals and a fall in the price of cinema tickets.

What can be concluded after these price changes?

A Restaurant owners will receive more income.

B Lee will spend more money on both cinema tickets and restaurant meals.

C Yim will spend more money on both cinema tickets and restaurant meals.

D Cinema owners will receive less income.

9 What is **not** held constant when aggregating individual firms' supply curves to give the short-run market supply curve?

A the number of firms in the industry

B the price of the product

C the prices of factors of production

D the state of technology

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10 Which elasticity would a shortage of skilled workers affect?

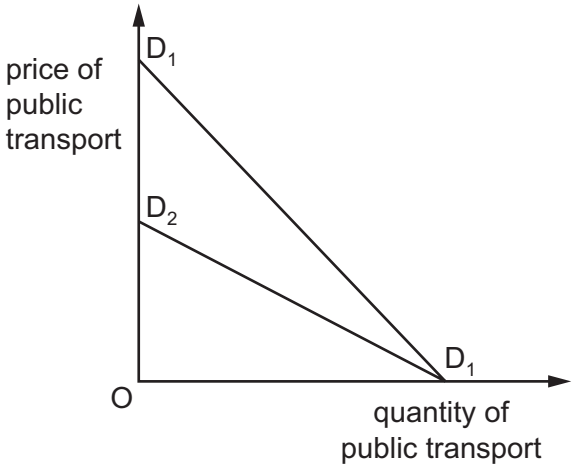
A cross elasticity of demand

B income elasticity of demand

C price elasticity of demand

D price elasticity of supply

11 D_1D_1 shows an individual's initial demand curve for public transport.



What would cause the demand curve to shift to D_2D_1?

A The cost of running the individual's car rises.

B The individual is banned from driving.

C The price of public transport rises.

D The quality of public transport declines.

12 Which government action would be identified as the direct provision of goods and services?

A increasing road maintenance because of poor weather conditions

B making payments to low-income families with elderly dependents

C subsidising firms in order to encourage them to increase their output

D taxing firms because they have been emitting damaging fumes

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13 A specific tax is imposed on a product for which the elasticity of supply is zero.

Which statement is correct?

A The burden of this tax will fall entirely on consumers.

B The burden of this tax will fall entirely on suppliers.

C The burden of this tax will fall mainly on consumers.

D The burden of this tax will fall mainly on suppliers.

14 A government wishes to intervene in a free market to allocate healthcare at the socially optimal level.

Which combination correctly identifies the reason for government intervention in the healthcare market?

	healthcare consumption in a free market	healthcare production in a free market	provision of information in a free market
A	overconsumption	overproduction	too little
B	overconsumption	underproduction	too much
C	underconsumption	underproduction	too little
D	underconsumption	overproduction	too much

15 The table shows the Consumer Prices Index (CPI) for a country.

year	CPI
2008	100
2009	104
2010	102
2011	105
2012	108
2013	111

Which statement about the period 2008 to 2013 is correct?

A Prices increased each year.

B Prices increased fastest in 2011.

C The rate of inflation was 2% in 2010.

D The smallest rise in prices was in 2013.

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16 What is most likely to cause the price level to rise?

An increase in

A productivity of labour.

B raw material prices.

C income taxes.

D subsidies paid to producers.

17 What is most likely to increase a country's circular flow of income?

A Its budget deficit increases.

B Its imports increase.

C Its interest rates increase.

D Its exchange rate increases.

18 A country with a constant population experiences a 5% increase in its nominal GDP during a year.

In which situation will average living standards be most likely to have increased during the year?

A if government takes action to ensure there is no increase in unemployment

B if inflation during the year is 3%

C if there is no increase in real national income

D if there is no redistribution of income

19 Which combination correctly identifies the necessary information to construct an accurately labelled graph of a normal short-run aggregate supply curve (SRAS)?

	gradient of the SRAS curve	horizontal *x*-axis	vertical *y*-axis
A	negative	quantity	price level
B	positive	real output	price level
C	positive	real output	price
D	positive	price level	real output

20 A government makes two changes to income tax.

1 The individual tax-free income allowance is increased.

2 The marginal rate of income tax is decreased.

How will these changes affect aggregate demand and aggregate supply in the economy?

	aggregate demand	aggregate supply
A	decrease	increase
B	decrease	unchanged
C	increase	increase
D	increase	unchanged

21 Which supply-side policy is most likely to decrease a government's budget deficit?

A cutting tax rates on company profits

B cutting unemployment benefits

C raising spending on education and training

D raising tax-free income tax allowances

22 Which combination of fiscal and monetary policies would certainly be expansionary?

	government spending	taxes	money supply
A	decrease	decrease	decrease
B	decrease	increase	decrease
C	increase	decrease	increase
D	increase	increase	increase

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23 The central bank of a country raises interest rates to reduce the general price level.

When is this policy likely to have the biggest impact?

	position of the economy on its production possibility curve (PPC) diagram	responsiveness of aggregate demand to interest rate changes
A	below the PPC	high
B	below the PPC	low
C	on the PPC	high
D	on the PPC	low

24 The table shows the trade in goods and services for an economy between 2019 and 2021.

year	trade in goods and services ($ millions)
2019	–1000
2020	–3000
2021	–4000

What would have most likely caused the change from 2019 to 2021?

A increasing domestic unemployment

B increasing domestic rate of income tax

C increasing domestic inflation

D increasing import tariffs

25 A government subsidises training to improve the skills of workers in the industrial sector of an economy.

What is the most likely effect on the current account of the balance of payments?

A exports fall

B exports rise

C imports fall

D imports rise

26 Using all their resources efficiently, country X can produce 6 million tonnes of wheat or 2 million tonnes of steel whilst country Y can produce 4 million tonnes of wheat or 1 million tonnes of steel.

Based on this information, what does the theory of comparative advantage suggest?

A Country X should produce only steel.

B Country X will not gain from international trade.

C Country Y has no comparative advantage.

D Country Y will not gain from international trade.

27 Countries X and Y are trade partners.

An increase in which economic indicator in country Y is most likely to cause a fall in the exchange rate of country X?

A economic growth

B inflation rate

C money supply

D trade barriers

28 Which transaction is **not** recorded in the current account?

A aid received from the government of another country

B exports of raw materials

C investments by a foreign company

D payments of dividends to an overseas investor

29 A government decides to place a tariff on imports of raw materials.

Which statement about the impact of the tariff is correct?

A It will increase costs of production for domestic firms.

B It will increase consumer surplus for domestic consumers.

C It will reduce government revenue.

D There will be a fall in the price of imports and a rise in the demand.

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

A Its imports rise in value less than its exports.

B Its imports rise in volume less than its exports.

C The price of its imports rises 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.

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