Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/12**

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.

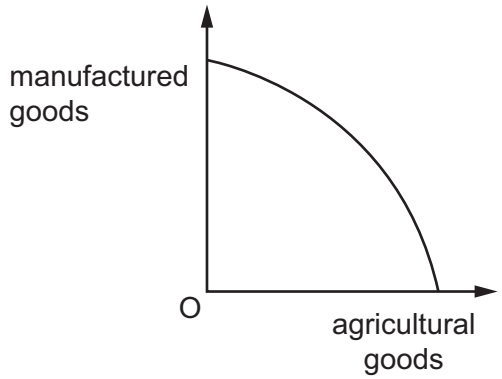
INFORMATION

- 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 The production possibility curve for a country is shown.



What can be determined from the diagram?

A the consumers' preferred combination of output

B the level of economic growth

C the opportunity cost of manufactured goods in terms of agricultural products

D the preference for present consumption rather than future consumption

2 In a clothing business, after specialisation, real output per worker increased in the first six months but then output per worker began to fall.

What might be the most likely reason for the reduction in productivity?

A An increase in output per worker in the long run depends on an increase in pay.

B An increase in output per worker requires more capital.

C Specialisation means workers lose skills.

D Workers get bored if they are repeating the same work.

3 A wine producer and bottler wanted to expand its production significantly. To finance the expansion it offered investors discounts on restaurant meals if they bought 2000 shares in the company.

Which factors of production are most likely to be involved in this expansion?

A labour, land, capital and enterprise

B labour, land and capital only

C enterprise and land only

D enterprise only

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4 Which statement is positive?

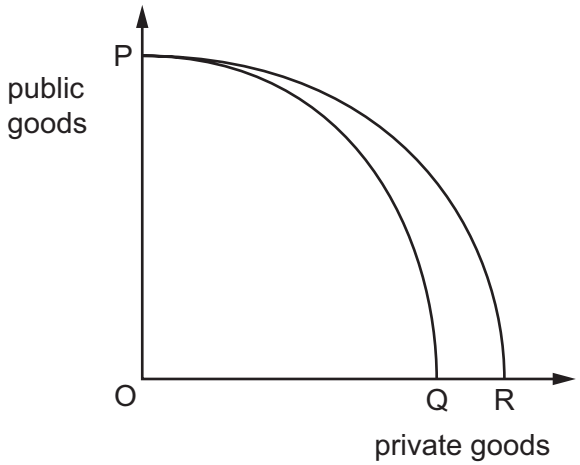
A All taxes should be proportional to income.

B A progressive tax is a fair tax.

C Greater equality of income is desirable.

D Income inequality is decreasing.

5 The diagram shows the change in a country's production possibility curve from PQ to PR.



What increases as a result of the change from PQ to PR?

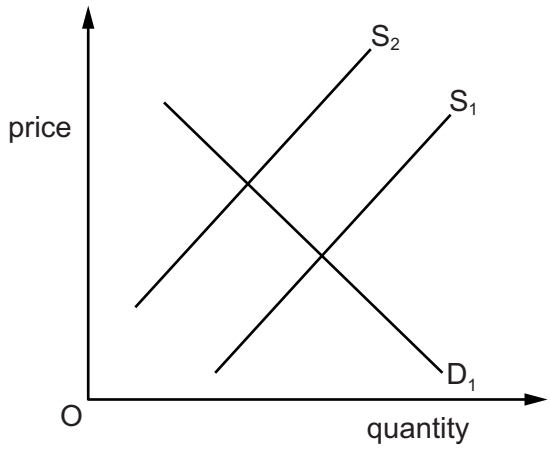
A the price of private goods

B the price of public goods

C the opportunity cost of private goods

D the opportunity cost of public goods

6 The graph shows the demand and supply curves for an industry.



What would cause a shift in the supply curve from S_1 to S_2?

A an increase in the number of firms in the industry

B an increase in the number of workers employed

C an increase in the productivity of the workforce

D an increase in the wage rates paid to workers

7 A firm produces a good using a very labour-intensive process. There is an increase in the price of the good.

Under which conditions will the supply of the firm's good be most price elastic?

	nature of the labour employed by the firm	level of unemployment in the economy
A	skilled	high
B	skilled	low
C	unskilled	high
D	unskilled	low

8 What is most likely to cause the demand curve of an inferior good to shift to the right?

A a rise in consumers' incomes

B a rise in income tax

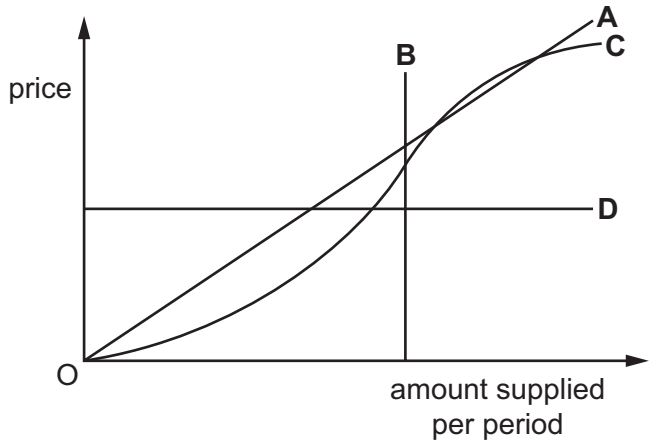
C a rise in sales tax

D a rise in the price of a complement

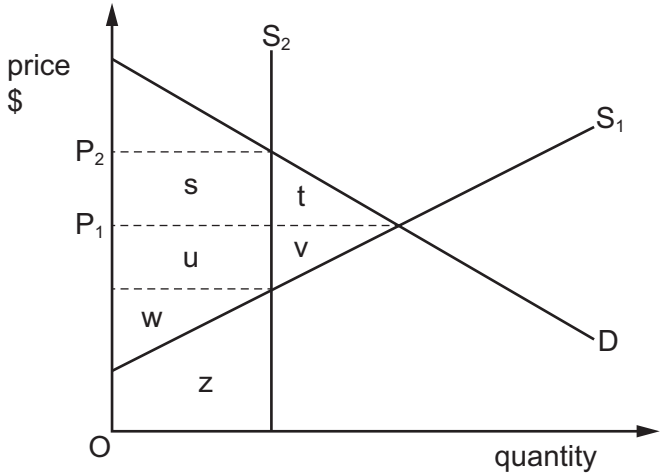
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9 The diagram shows four supply curves.

Which curve has a price elasticity of supply of 1 for all levels of quantity supplied?



10 The diagram shows a shift of the supply curve in a market from S_1 to S_2.



How will the consumer surplus and producer surplus change?

	consumer surplus	producer surplus
A	decreases by s	increases by s + u – t
B	decreases by s	increases by u + v – w
C	decreases by s + t	increases by s + t – v
D	decreases by s + t	increases by s + z – v

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[Turn over

11 Good X has a substitute, good Y, and a complement, good Z. The price of good Y decreases and the price of good Z increases.

Why might the equilibrium price of good X remain unchanged?

A Producers of good X adopt new technology.

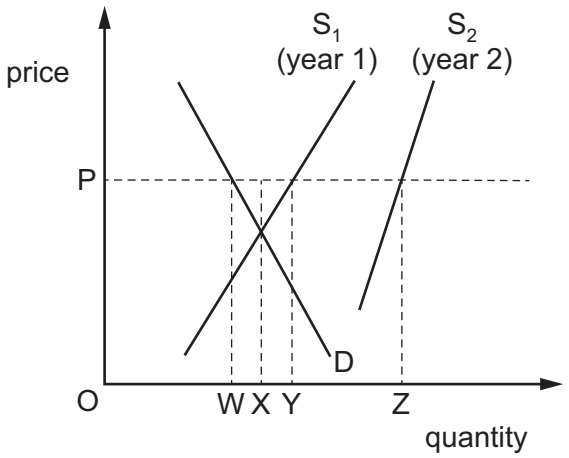
B Producers of good X receive a subsidy.

C Some firms stop production of good X.

D The tax on the production of good X is cut.

12 In the diagram, S_1 and S_2 are the supply curves for an agricultural product in years 1 and 2 respectively. D is the demand curve in years 1 and 2.

In year 1, the government purchased an amount necessary to ensure that the price was OP.



The price is held at OP in year 2.

How much more must the government buy in year 2 than it bought in year 1?

A WZ **B** XY **C** XZ **D** YZ

13 Inequality in an economy can be categorised as either income inequality or wealth inequality.

What is most likely to cause greater wealth inequality than income inequality?

A an increase in indirect taxation

B an increase in the value of property

C a reduction in the minimum wage

D a reduction in the rate of interest paid on savings

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14 A product with infinite elasticity of supply has sales of 1000 units a week at a price of $1 per unit. Price elasticity of demand is 1.5 over the relevant range.

The government imposes a tax of 10%.

What will be the government's weekly tax revenue from this product?

A $15 **B** $85 **C** $100 **D** $150

15 The table shows the values of Consumer Prices Index (CPI) and a worker's salary in 2022 and 2023.

CPI 2022	100
CPI 2023	110
worker's salary 2022	$20 000
worker's salary 2023	$25 000

What is the real value of the worker's salary in 2023 compared with 2022?

A $18 182 **B** $22 727 **C** $25 000 **D** $27 500

16 An economy experiences rising unemployment due to incomes falling as a result of a virus pandemic.

How would this unemployment be classified?

A cyclical

B frictional

C seasonal

D structural

17 What is likely to move an economy's aggregate demand curve to the right?

A a fall in income equality

B a fall in incomes abroad

C a fall in the exchange rate

D a fall in the government budget deficit

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18 Which items have to be added to and subtracted from Gross Domestic Product at market prices to calculate the value of Gross Domestic Product at basic prices?

A capital consumption and net property income from abroad

B expenditure taxes and capital consumption

C net property income from abroad and subsidies

D subsidies and expenditure taxes

19 In an economy with an interest rate of 4% per annum, the rate of inflation falls from 5% to 3% per annum.

What will be a benefit of this fall?

A Menu costs will fall to zero.

B People on fixed incomes will be better off in real terms.

C Savers will gain in real terms.

D The purchasing power of the currency will rise.

20 What is an example of a macroeconomic policy?

A encourage the consumption of merit goods

B reduce pollution in the steel industry

C maintain general price stability

D reduce unemployment in the service sector

21 Which supply-side policy is likely to lower real output before raising it?

A increased spending on early years education

B increased spending on infrastructure

C reduced import barriers

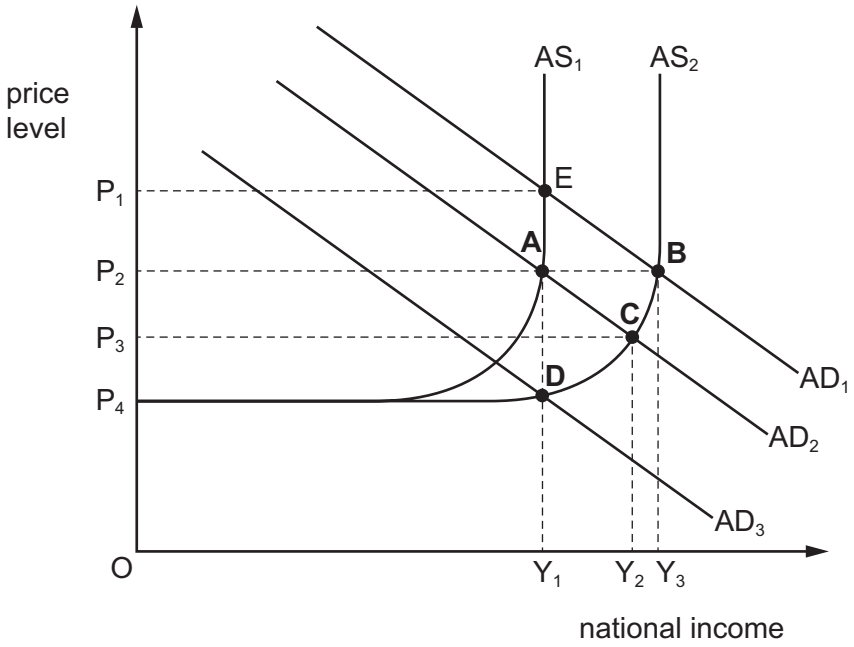
D subsidies to exporters

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22 An economy is in equilibrium at point E on the diagram.

The government reduces its expenditure on defence.

Which point on the diagram shows the new equilibrium?



23 The number of people employed in a country and the level of unemployment both decrease.

What could explain this?

A net inward immigration

B an increase in the level of unemployment benefits

C an increase in the age at which state pensions are payable

D an increase in the number of university students

24 Which circumstances would most help a firm to gain from a depreciation of the exchange rate?

A It sells mainly abroad and relies on domestic suppliers for inputs.

B It sells mainly abroad and relies on foreign suppliers for inputs.

C It sells mainly in its home market and relies on domestic suppliers for inputs.

D It sells mainly in its home market and relies on foreign suppliers for inputs.

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25 A country has a floating exchange rate. Its current account on the balance of payments moves from a surplus to a deficit.

Which rate is likely to increase in the short run as a consequence of this worsening of its current account?

A economic growth rate

B exchange rate

C interest rate

D unemployment rate

26 Which policy is most likely to reduce a balance of payments deficit without causing inflation?

A decreased import quotas

B depreciation of currency

C higher interest rates

D decreased import tariffs

27 The table shows the average price of exports and imports.

Which combination of changes in export prices and import prices could result in a country's terms of trade increasing from 100 to 110?

	the average price of exports	the average price of imports
A	falls by 5%	rises by 5%
B	remains unchanged	rises by 10%
C	rises by 5%	falls by 5%
D	rises by 10%	remains unchanged

28 What is **not** an example of protectionism?

A the European Union (EU) requiring goods imported into member states to meet safety standards

B the Pakistan government increasing the rate of goods and services tax (GST) on some exported goods from 2% to 5%

C the Nigeria government banning the import of packaged sugar

D the US imposing a 35% tariff on tyres imported from China

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29 Turkey imported $220 million worth of goods and services. Turkey exported $12 million worth of goods and services during the same period. Its net income was –$15 million.

What is Turkey's current account balance?

A –$223 million

B –$217 million

C +$208 million

D +$247 million

30 The table shows the exchange rate for national currencies per US dollar.

Which currency has the smallest percentage appreciation against the US dollar between 2019 and 2020?

	2019	2020
A	6.91	6.90
B	70.4	74.1
C	14.4	16.5
D	0.99	0.94

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