Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/13**

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.

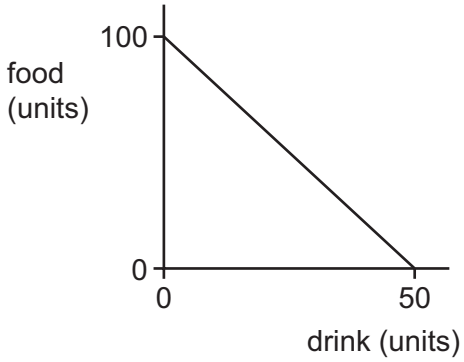
INFORMATION

- 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 diagram shows a country's production possibility curve.



What can be concluded from the diagram?

A Food and drink are normal goods.

B The country is self-sufficient in the production of food and drink.

C The opportunity cost of food falls as more drink is produced.

D There is a constant opportunity cost between food and drink.

2 Which type of good does **not** consume scarce resources?

A economic good

B free good

C merit good

D public good

3 The factors of production earn different rewards.

What identifies the correct economic term for these rewards?

A capital – surpluses

B enterprise – dividends

C labour – interest

D land – rents

4 What is most likely to be an advantage of the division of labour?

A an increase in labour force creativity

B an increase in labour productivity

C an increase in workforce flexibility

D an increase in worker satisfaction

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5 A government wishes to encourage the consumption of a merit good and reduce the consumption of a demerit good.

Which policy should it adopt towards each good?

	merit good	demerit good
A	impose a minimum price	produce only in the public sector
B	increase advertising on the benefits of the good	put legal controls on output
C	confine access to certain age groups	tax output
D	subsidise the good	set a minimum level of output

6 Shoe manufacturers often use leather to make their most expensive shoes. Due to a world shortage of leather, the price of leather has risen.

What will be the effect of this price change?

A The demand curve for leather shoes will shift to the left.

B The demand curve for a substitute for leather shoes will shift to the right.

C The supply curve for leather shoes will shift to the right.

D The supply curve for a substitute for leather to make expensive shoes will shift to the right.

7 The Chinese government relaxed controls on private house ownership. Private house ownership rose sharply, replacing demand for apartments rented from the state.

What would have been most likely to happen to private house prices and the rents of apartments?

	private house prices	apartment rents
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

8 The supply, S, of a product is determined by the equation S = 10 + 10P, when P is the price of the product.

What is the price elasticity of supply when the price changes from $1 to $2?

A 0 **B** 0.5 **C** 1.0 **D** 2.0

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9 A good has the following elasticity values.

cross elasticity of demand	+1.4
income elasticity of demand	–0.8

Which statement is correct?

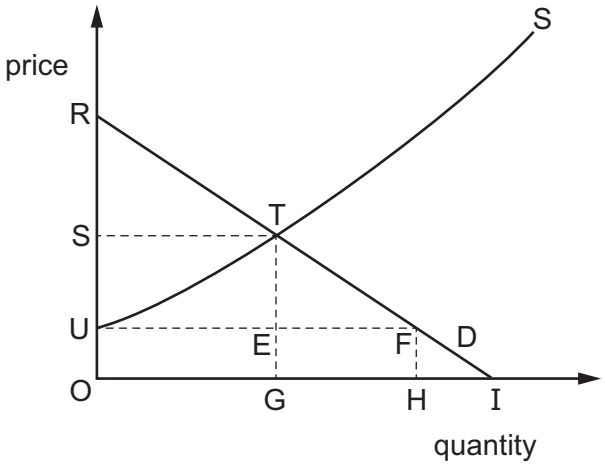
A The good is a complement and inferior.

B The good is a complement and normal.

C The good is a substitute and inferior.

D The good is a substitute and normal.

10 Different areas on the diagram represent different aspects of a market.



Which row correctly identifies the three variables shown?

	consumer surplus	producer surplus	total consumer expenditure
A	RST	TUOG	STEU
B	RST	UST	STGO
C	RTU	UTE	STGO
D	RTEU	TEF	RFU

11 Which combination of the classification of a good and market change will cause the demand curve for the good to shift to the right?

	classification of good	market change
A	inferior good	income decrease
B	inferior good	price decrease
C	normal good	income decrease
D	normal good	price decrease

12 Which policy is most likely to solve the free rider problem caused by public goods?

A an advertising campaign

B a direct provision by the government

C a minimum price

D a tax on a substitute good

13 Very low interest rates in an economy encourage economic growth and cause a large increase in house prices.

Which group of people is most likely to experience a fall in income and an increase in wealth as a result of these changes?

A retired people living in rented houses

B retired people who own their houses

C young people buying their own houses

D young people living with their parents

14 A large-scale farming enterprise uses inputs of labour and capital equipment that are substitutes.

If the government introduces a policy to subsidise capital equipment, how would this affect the factor inputs?

	quantity of labour	quantity of capital equipment
A	decreases	increases
B	decreases	decreases
C	increases	decreases
D	increases	increases

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15 A country experienced an annual deflation rate of 2% for four successive years.

Which statement is correct for the four-year period?

A The price level fell by 8%.

B The price level fell by less than 8%.

C The real value of money fell by 8%.

D The real value of money fell by less than 8%.

16 In the circular flow of income model of an economy, Y, C, I, G, X, S, T and M represent total income, consumption, investment, government expenditure, exports, saving, taxation and imports respectively.

Which statement is correct?

A At equilibrium, the levels of Y and C are always the same.

B Governments always adjust G so that the economy is in equilibrium.

C If I is not equal to S, it is still possible for the national income to be in equilibrium.

D If the national income is in equilibrium, X must be equal to M.

17 What leads to a rise in frictional unemployment?

A an economy moving into a period of recession

B replacement of workers with computers in the service sector

C a change from an agriculturally based economy to an industrial economy

D a rise in the number of workers leaving one job to look for another job

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18 The information shows data from a country's national income accounts.

	$ million
gross domestic product at market prices	200 000
gross value added at basic prices	180 000
subsidies	5 000
capital consumption	30 000

What can be concluded from the income accounts?

	net domestic product at market prices $ million	indirect tax revenue $ million
A	170 000	15 000
B	170 000	25 000
C	150 000	15 000
D	150 000	25 000

19 A government is considering building a large hospital. The impact on the country's price level will depend partly on the amount of expensive raw materials the country imports for the hospital and the level of unemployment in the country.

Which combination of imports of materials for the hospital and the level of unemployment is most likely to lead to the largest rise in the price level?

	imports of materials	unemployment
A	high	high
B	high	low
C	low	high
D	low	low

20 If interest rates are reduced, what is most likely to decrease?

A borrowing by firms

B consumer spending

C import prices

D export prices

21 Supply-side policy often has fiscal consequences.

Which statement is **not** correct?

A Increased government spending supporting technical progress has beneficial long-term supply-side effects but may have short-term inflationary consequences.

B Increased government expenditure on training increases a country's long-run aggregate supply (LRAS) and also has an expansionary effect on aggregate demand (AD).

C Reduced government infrastructure spending reduces an economy's LRAS and has a short-term expansionary effect on AD.

D Reduced rates of tax on higher incomes increases an economy's LRAS and has an expansionary effect on AD.

22 Changes in fiscal policy can affect the distribution of income and wealth.

Which combination of fiscal policy would most likely be regressive?

A a fall in the lowest level of income when income tax has to be paid and a fall in the rate of inheritance tax

B a fall in the charge made for visits to a doctor and a rise in the level of unemployment benefit

C a rise in the rate of income tax charged at higher levels of income and a rise in the standard rate of corporation tax

D a rise in the standard rate of income tax and a fall in the standard rate of goods and services tax

23 What does it mean when a government has a budget surplus?

A Government revenue exceeds expenditure.

B Imports exceed exports.

C The government has an expansionary fiscal policy.

D The national debt is increasing.

24 A country subsidises domestic production of manufactured goods.

What is the most likely outcome?

A a rise in economic growth

B a rise in imports of manufactured goods

C a rise in the rate of inflation

D a rise in unemployment

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25 What is **not** a valid explanation of why a government might allow a deficit on the balance of payments current account to continue?

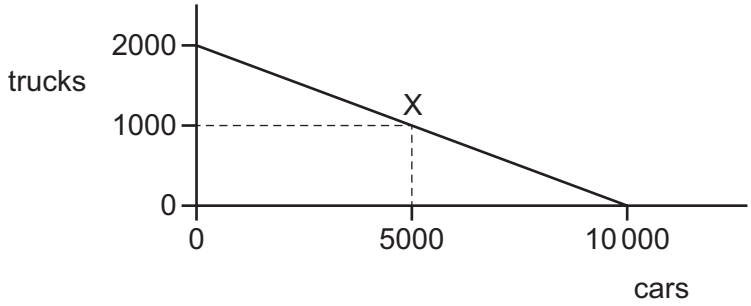
A The balance of payments account must always balance.

B Foreign direct investment might help to finance the deficit.

C The country may have a larger surplus on the other parts of its balance of payments account.

D The standard of living is increased if the level of cheap food imports is significant.

26 A country currently producing at point X on its production possibility curve decides to specialise in the manufacture of cars and import trucks. It finds it can import one truck in exchange for four cars.



What is the result in the domestic market if it exports all the extra cars?

A 250 extra trucks

B 1000 extra trucks

C 1250 extra trucks

D 2000 extra trucks

27 What is most likely to cause a current account deficit?

A a recession in the domestic economy

B a relatively high rate of inflation

C an undervalued exchange rate

D high labour productivity

28 Two statements describing forms of protectionism a government can use are listed.

1 There is a total ban on imports.

2 All imported goods have to be of a specified standard.

Which combination correctly describes these two statements?

	statement 1	statement 2
A	administrative barrier	import quota
B	administrative barrier	embargo
C	embargo	administrative barrier
D	embargo	import quota

29 When is there an improvement in a country's terms of trade?

A when the price of exports falls more than the price of imports

B when there is no change in the price of exports but a fall in the price of imports

C when the value of exports increases relative to the total value of imports

D when the volume of exports increases relative to the total volume of imports

30 What is likely to happen if there is a rise in the international value of a country's currency?

A a fall in the foreign currency price of its exports

B a fall in the volume of its exports

C a rise in the domestic currency price of its imports

D a rise in the domestic price level

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