Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/32**

Paper 3 A Level Multiple Choice **October/November 2024**

1 hour 15 minutes

You must answer on the multiple choice answer sheet.

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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 If consumers aim to maximise their utility, how will they arrange their spending?

A to obtain the same total utility from each commodity

B to obtain the same total utility per $ spent on each commodity

C to obtain the same utility from the last unit of each commodity

D to obtain the same utility from the last $ spent on each commodity

2 Which feature of indifference curve theory is most likely to apply in reality?

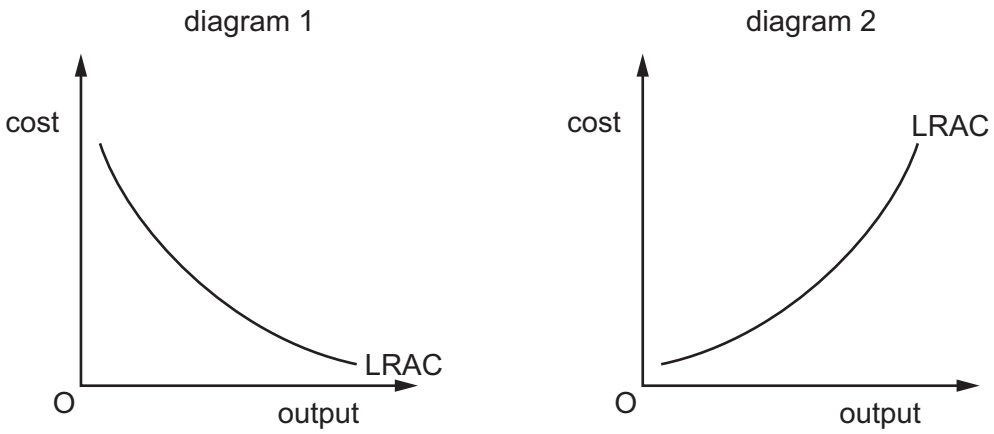
A The consumer can express preferences between all possible combinations of goods.

B The consumer has a limited income to spend.

C The consumer will always behave rationally.

D The consumer will always get positive utility from having more of the goods.

3 Diagrams 1 and 2 show different long-run average cost curves (LRAC).



Which situations do the two diagrams show?

	diagram 1	diagram 2
A	falling returns to scale	average cost is greater than marginal cost
B	falling returns to scale	rising returns to scale
C	unit cost falls as output increases	falling average fixed costs
D	unit cost falls as output increases	unit cost rises as output increases

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4 A government makes it compulsory for motorbike riders to wear helmets.

What would represent a positive externality of consumption associated with this decision?

A decreased pressure on the provision of health care

B expenses incurred on surveillance of motorbike riders to ensure compliance

C increased life expectancy of motorbike riders

D increased profits of helmet manufacturers

5 The table shows the market shares of firms selling a very similar product in a country between 2018 and 2020.

firm	2018	2020
Norton	28.4	27.4
Souton	18.9	17.6
Eastern	17.1	14.7
Western	12.5	11.4
Scotsdale	7.2	8.5
Welshpool	5.8	8.2
Greenland	3.9	4.8
Franklin	2.2	3.6
Bellweather	2.1	1.9
others	1.9	1.9

What can be concluded from the data between the two years?

A Market concentration increased.

B Sales of the top four firms fell.

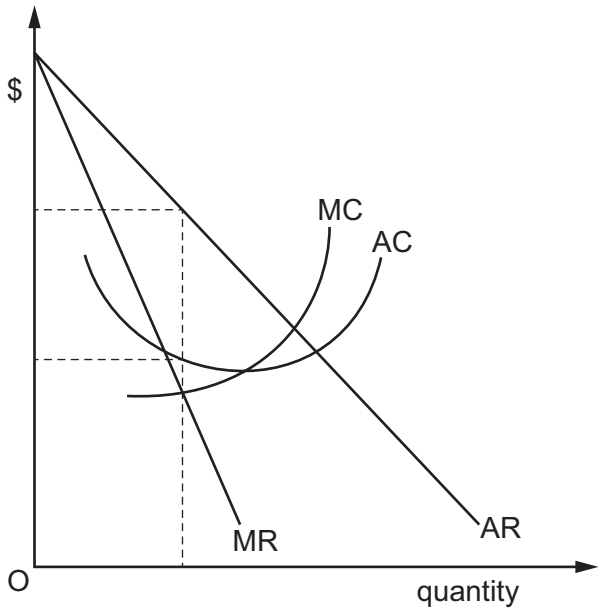
C Scotsdale and Welshpool's profits rose.

D The concentration ratio of the four largest firms fell.

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[Turn over

6 The diagram shows a profit maximising firm in equilibrium.



What would happen to the firm's price, output and profit if there was an increase in its fixed costs?

	price	output	profit
A	rise	fall	rise
B	rise	fall	fall
C	unchanged	rise	rise
D	unchanged	unchanged	fall

7 A bus company has a monopoly and specialises in long-distance travel. It initially sells its tickets to customers one month in advance of the journey. As the departure date approaches, the price of a ticket increases.

Which kind of pricing policy does the bus company operate?

A minimum pricing

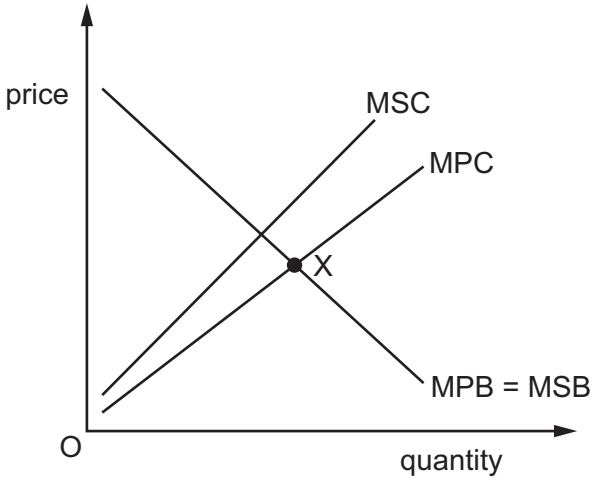
B predatory pricing

C price discrimination

D price leadership

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8 The diagram shows the marginal private benefit (MPB), the marginal private cost (MPC) and the marginal social cost (MSC) for firms in an industry. The equilibrium price is point X.



What should happen to achieve allocative efficiency?

A a decrease in consumption and an increase in price

B a decrease in production and no change in price

C an increase in consumption and a decrease in production

D an increase in price and no change in production

9 Firm X is considering whether to co-operate with its rival so that their joint profit is $4000 a month ($2000 each). It calculated that, if it did not co-operate, its own profit would be $2800 a month provided it kept all its customers itself. However, if its rival undercut X's price and took some of X's customers then X's profit would be $1200. It has no knowledge of what the rival's policy will be.

What describes the situation that the firm is facing?

A monopoly profit maximisation

B principal agent problem

C prisoner's dilemma

D satisficing

10 A smartphone manufacturing company takes over an electronic chip design company.

This is an example of which type of growth?

A horizontal

B lateral

C vertical backwards

D vertical forwards

11 What is **not** a valid comment economists may make regarding the need to subsidise a green energy market that uses solar and wind power?

A It is cheaper to use the plentiful supply of coal.

B Markets will become more efficient.

C The value of the positive externalities cannot be estimated.

D The value of the negative externalities cannot be estimated.

12 In which situation is the introduction of a minimum wage most likely to raise employment opportunities as well as wages?

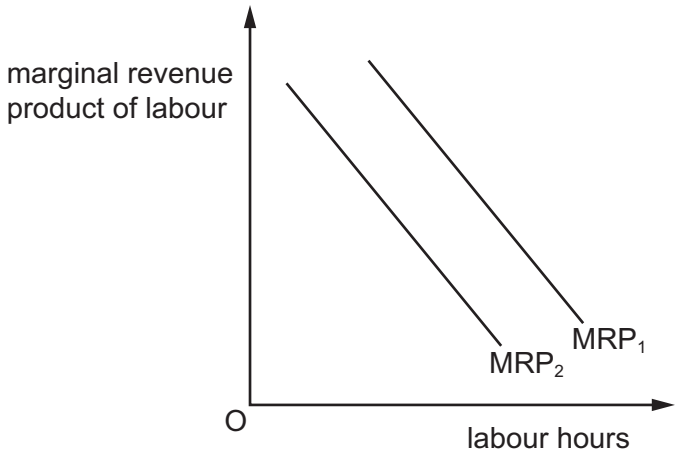
A Firms face intense competition both at home and abroad.

B Labour costs are a high proportion of the total cost of the firm.

C The minimum wage is not high enough to lower the profits of the firms.

D The minimum wage introduced in monopsony is less than the marginal revenue productivity (MRP) of the last worker employed.

13 The diagram shows a firm's initial marginal revenue product of labour curve (MRP_1).



What could cause the curve to shift to MRP_2?

A a fall in the wage rate

B a fall in the price of the final product

C a rise in the wage rate

D a rise in the price of the final product

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14 A firm operates in a perfectly competitive labour market.

The table shows the marginal revenue product (MRP) and marginal cost of labour (MCL) for each additional worker employed by this profit-maximising firm.

units of labour employed	MRP	MCL
1	50	30
2	40	30
3	30	30
4	20	30

How many units of labour will this firm employ?

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

15 Countries in South East Asia have some of the highest income inequality in the world.

Which policy could be adopted by governments in South East Asia to reduce income inequality in the short run?

A Increase the general sales tax / VAT rate on luxury goods.

B Introduce a minimum wage.

C Invest heavily in schools and education programmes.

D Stimulate economic growth through skills and productivity training.

16 When buying a car, Salma agrees to pay half of the cost now and the other half in six months time.

Which function of money does this illustrate?

A divisibility

B durability

C standard of deferred payment

D store of value

17 When is the natural rate of unemployment most likely to fall?

A when there is a decline in the education levels of workers

B when there is an increase in income tax rates

C when there is an increase in labour mobility

D when there is a rise in the rate of state unemployment benefits

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18 A country has increasing productivity and falling unemployment.

What can be concluded from this information?

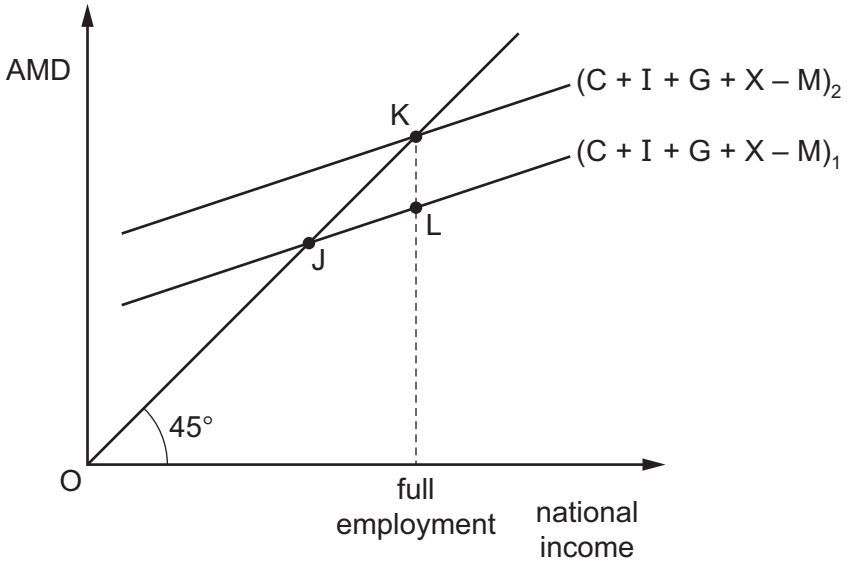
A Economic efficiency has increased.

B Interest rates have increased.

C Taxation has increased.

D The labour force has increased.

19 The diagram shows full employment, national income, and expenditure (AMD). The economy is in equilibrium at J.



What does the distance KL represent?

A a deflationary gap

B a trade deficit

C an inflationary gap

D an employment gap

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20 A country experiences an increase in unemployment due to deficiency of aggregate demand.

What will be the effect of this on tax revenue and government expenditure, assuming that tax rates and rates of unemployment benefit remain unchanged?

	tax revenue	government expenditure
A	decrease	increase
B	decrease	no change
C	increase	decrease
D	no change	increase

21 A government is successful in raising the rate of economic growth.

As a result, which other macro-economic aim would it most likely have achieved in the short run?

A balance of payments surplus

B higher employment

C lower inflation

D stronger exchange rate

22 Which argument for lowering income tax rates is **always** valid?

A It boosts economic activity.

B It promotes the incentive to work.

C It reduces the budget deficit.

D It reduces the incentive to evade taxes.

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23 The table shows the percentage of labour force unemployed and the rate of inflation in a country over a five-year period.

year	unemployment %	inflation %
1	3.5	4.0
2	4.1	3.6
3	4.3	2.5
4	4.5	2.2
5	4.8	2.0

Which statement about the application of the Phillips curve theory to this country is most supported by the data?

A The data are entirely consistent with the theory of the Phillips curve.

B The data prove conclusively that the Phillips curve theory does not operate.

C The data suggest that no conclusions can be reached about the validity of the Phillips curve theory.

D The data suggest that the theory of the Phillips curve is correct, though with time lags.

24 What indicates that a more equal distribution of income has been achieved?

A a faster rate of economic growth

B a higher Human Development Index

C a lower Gini coefficient

D a lower tax / GDP ratio

25 In 2018, the United States (US) government introduced tariffs on a wide range of imports from China.

Which type of policy was the US government adopting?

A expenditure-reducing

B expenditure-switching

C expansionary monetary

D contractionary monetary

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26 A US company receives a US$20 million dividend from shares that it owns in a Brazilian company.

How would this dividend be shown in the balance of payments of the United States?

A a credit in the capital account

B a credit in the current account

C a debit in the capital account

D a debit in the current account

27 An increase or decrease in exchange rates can take place in both a floating and a fixed exchange rate system but different terminology is used for each system.

What is the correct terminology?

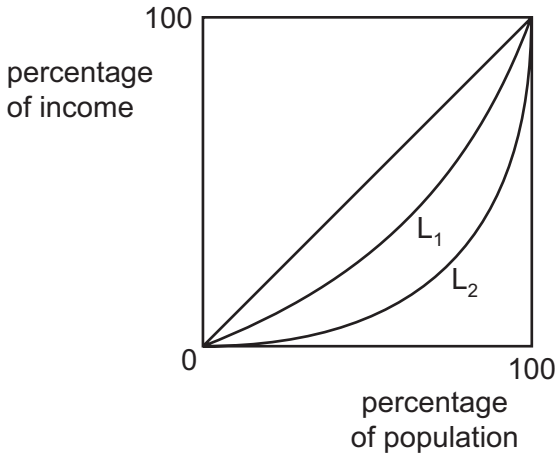
	floating rate decreases	fixed rate increases
A	depreciation	appreciation
B	depreciation	revaluation
C	devaluation	appreciation
D	devaluation	revaluation

28 Company X is a multinational company that produces batteries for electric cars. It decides to invest in a new factory in country N.

Under which conditions is this investment most likely to improve the current account balance on the balance of payments in country N?

	% of raw materials used to make batteries supplied by country N	income elasticity of demand for electric cars outside country N
A	10	0.5
B	10	1.5
C	90	0.5
D	90	1.5

29 The diagram shows two Lorenz curves.



If the Lorenz curve shifts from L_1 to L_2, what is **least** likely to have caused this?

A Capital gains tax has been reduced.

B Income tax has been made more progressive.

C Inheritance tax has been reduced.

D The tax-free allowance has been decreased for everyone.

30 What is a likely result of globalisation?

A Absolute advantage replaces comparative advantage as the basis for trade.

B Firms' supply chains are shortened.

C Trade is less likely to suffer from international economic shocks.

D There are higher standards of living.

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