Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/33**

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

1 hour 15 minutes

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.

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[Turn over

1 A rational consumer chooses what quantities of two products Y and Z to purchase with a given income.

MU_Y and MU_Z are the additions to total utility that would result if the consumer were to purchase an additional unit of each product.

P_Y and P_Z are the current prices of the two products.

Which outcome would represent consumer equilibrium?

A when $MU_Y = MU_Z$

B when $MU_Y \times P_Y = MU_Z \times P_Z$

C when $MU_Y \times P_Z = MU_Z \times P_Y$

D it is not possible to tell from the information available

2 Which statement about indifference curves is **not** correct?

A Indifference curves are usually convex to the origin of the diagram.

B Indifference curves can intersect each other.

C The consumer always prefers a higher indifference curve to a lower one.

D The slope of the indifference curve represents the marginal rate of substitution.

3 A firm increases its production.

When will this result in allocative efficiency?

A when the cost of producing the last extra unit equals the value the consumers place on it

B when the cost of producing the last extra unit is at a minimum

C when the total cost of production equals the value that consumers place on the total product

D when the total revenue reaches a maximum

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4 The table shows a firm's revenue and costs at different levels of output.

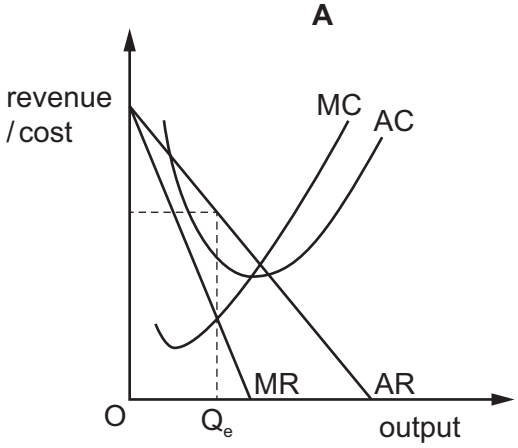
output	marginal revenue	average revenue	marginal cost	average total cost
1	125	125	90	140
2	85	105	40	90
3	45	85	45	75
4	25	70	*95*	80
5	20	60	130	90

What is the firm's total supernormal profit at the profit-maximising level of output?

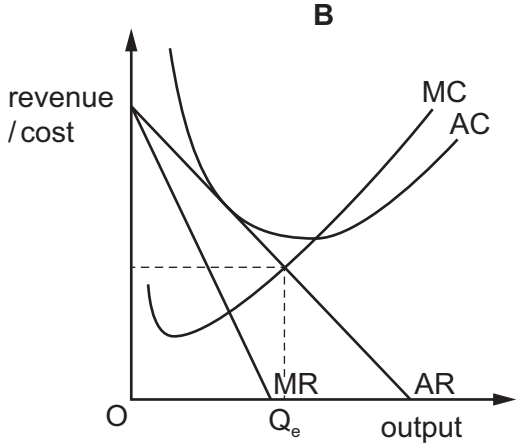
A –15 **B** 10 **C** 30 **D** 120

5 Which diagram shows a monopolistically competitive firm in long-run equilibrium?

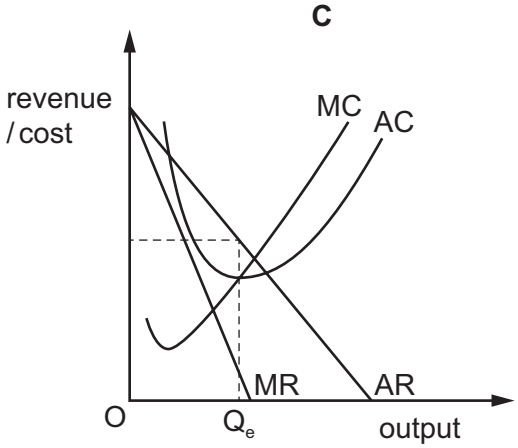
A



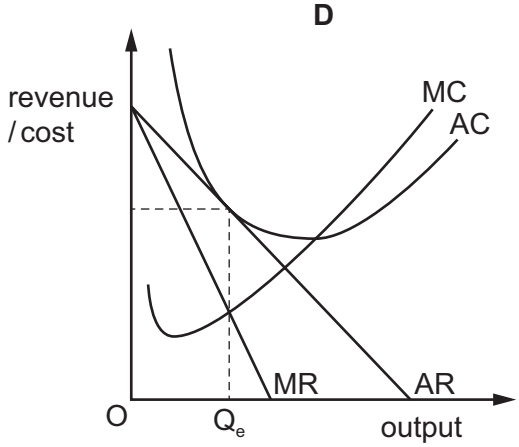
B



C



D



6 In a perfectly contestable market, entries and exits are cost-free.

In reality, why is this **not** the case with some firms in contestable markets?

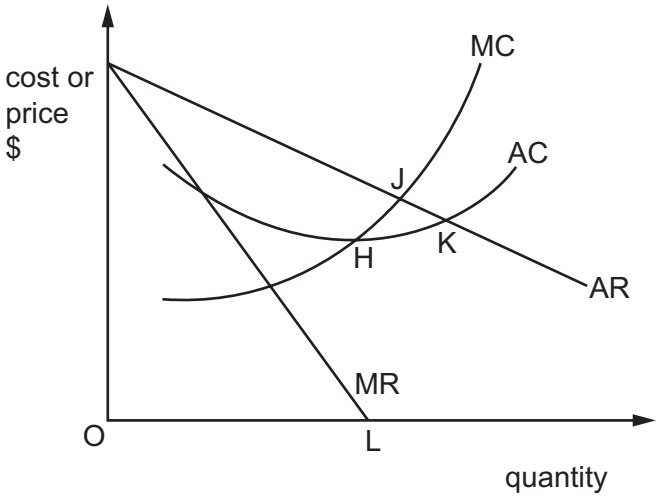
A Firms cannot recover all fixed costs if they cease operations.

B Firms in the industry all operate at the equilibrium level of output.

C Large firms do not have to increase capital to grow.

D Multinational companies always benefit from economies of scale.

7 Which points show where each maximisation objective occurs?



	revenue maximisation	sales maximisation
A	J	L
B	L	K
C	J	K
D	L	H

8 What is an external economy of scale?

A cheaper costs from purchasing large quantities of inputs

B decreased interest rates on borrowed funds

C increased labour productivity

D relevant training facilities at a local college

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9 A group of producers enter into an agreement to restrict supply or fix the price of a good.

What does this describe?

A a cartel

B a conglomerate merger

C economies of scale

D horizontal integration

10 What is meant by a four-firm concentration ratio of 25%?

A The largest four firms' market share totals 25%.

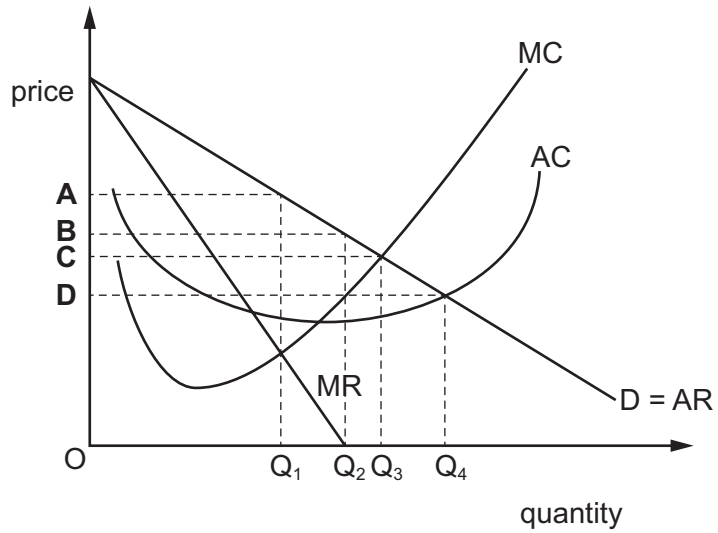
B The largest four firms have a market share of 25% each.

C There are only four firms in the industry.

D The largest firm has a 25% market share.

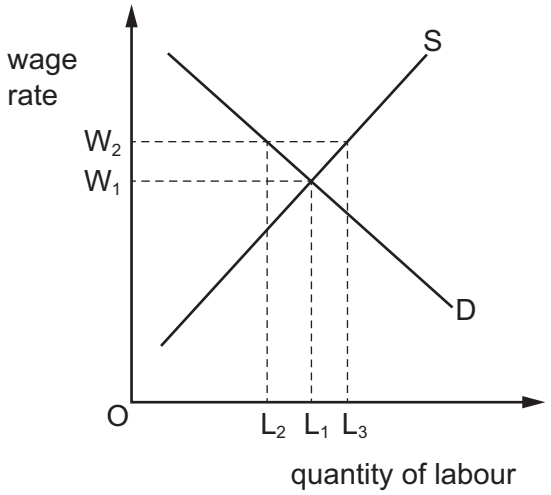
11 A government decides to use price controls to achieve allocative efficiency in a monopoly market.

Which price would need to be set to achieve allocative efficiency?



12 The diagram shows the supply of and the demand for workers in the car manufacturing industry.

A trade union successfully negotiates a wage increase from W_1 to W_2.



What is the likely impact on the level of employment?

A fall from L_1 to L_2

B fall from L_3 to L_2

C rise from L_1 to L_3

D rise from L_2 to L_3

13 A firm buys new machinery which increases the marginal productivity of its workforce.

What will be the resulting impact on the market for labour?

A a shift to the left in the demand curve for labour

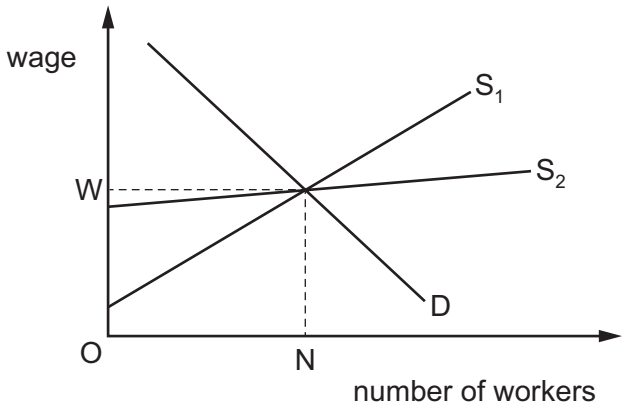
B a shift to the right in the demand curve for labour

C a shift to the left in the supply curve of labour

D a shift to the right in the supply curve of labour

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14 The diagram represents the market for labour.



What would be the effect on transfer earnings and economic rent of a change in the supply curve from S_1 to S_2?

	transfer earnings	economic rent
A	fall	falls
B	fall	rises
C	rise	rises
D	rise	falls

15 Which combination of policies is most likely to increase the number of low-paid workers caught in the poverty trap?

	individual's tax-free allowance for income tax	proportion of all benefits that are means-tested
A	decrease	increase
B	decrease	decrease
C	increase	increase
D	increase	unchanged

16 A website compares the prices of groceries.

Which function of money is illustrated by this?

A medium of exchange

B standard of deferred payment

C store of value

D unit of account

17 Two statements about the types of unemployment are shown.

1 You will get unemployment if you pay people **not** to work, and tax them when they do.

2 An individual is actively seeking work but due to negative economic growth cannot find employment.

Which row best describes the two types of unemployment in these statements?

	1	2
A	cyclical	structural
B	voluntary	frictional
C	structural	cyclical
D	voluntary	involuntary

18 A government decides to cut the rate of interest in order to stimulate aggregate demand and increase employment.

Why might this policy **not** work in a recession?

A Business confidence is low.

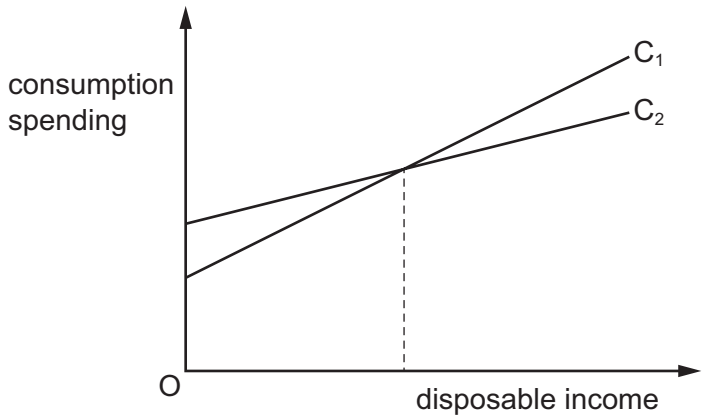
B It leads to deflation.

C It leads to an appreciation in the exchange rate.

D It leads to a decrease in the money supply.

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19 Households in an economy change their consumption behaviour causing the consumption curve to shift from C_1 to C_2.



What has happened to autonomous consumption and the marginal propensity to consume?

	autonomous consumption	marginal propensity to consume
A	decreased	decreased
B	decreased	increased
C	increased	decreased
D	increased	increased

20 How would decreasing interest rates be most likely to reduce unemployment?

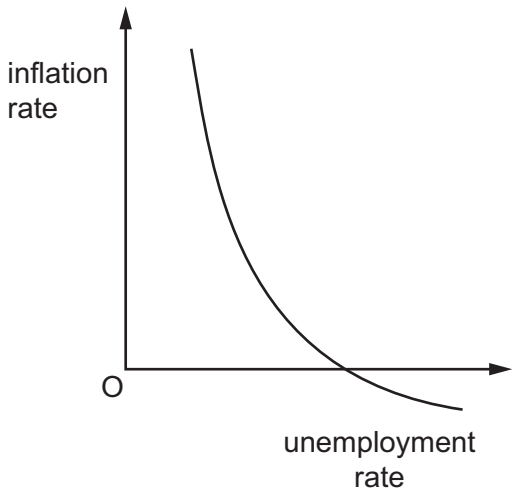
A by decreasing the borrowing costs of business

B by decreasing the government's budget deficit

C by increasing the foreign exchange rate of the currency

D by increasing the opportunity cost of spending

21 The diagram shows a curve representing the relationship between a country's unemployment rate and its inflation rate.



Why is it likely that this curve only applies in the short run?

A Any attempt to reduce unemployment will increase inflation.

B Increased inflation actually increases unemployment.

C Increased inflation leads to expectations of further inflation.

D Increased inflation reduces real wage rates, which increases the demand for labour.

22 What is the most likely result of a period of negative actual growth?

A an increase in the surplus of the financial account of the balance of payments

B an increase in the deficit of the current account of the balance of payments

C an increase in the rate of inflation

D an increase in the rate of unemployment

23 An economy experiences falling incomes and rising unemployment. The central bank decides to reduce the rate of interest to stimulate economic activity.

When would such a policy be most likely to succeed?

A when spending by consumers on goods and services is income elastic

B when spending by firms on capital goods is interest rate elastic

C when the leakage on additional national income is high

D when the overseas demand for exports is price inelastic

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24 Monetary policy does not usually work immediately.

Which time lag is likely to be the **least** concern to a government whose priority is a rapid domestic impact?

A the time it takes for policymakers to recognise the cause of a problem

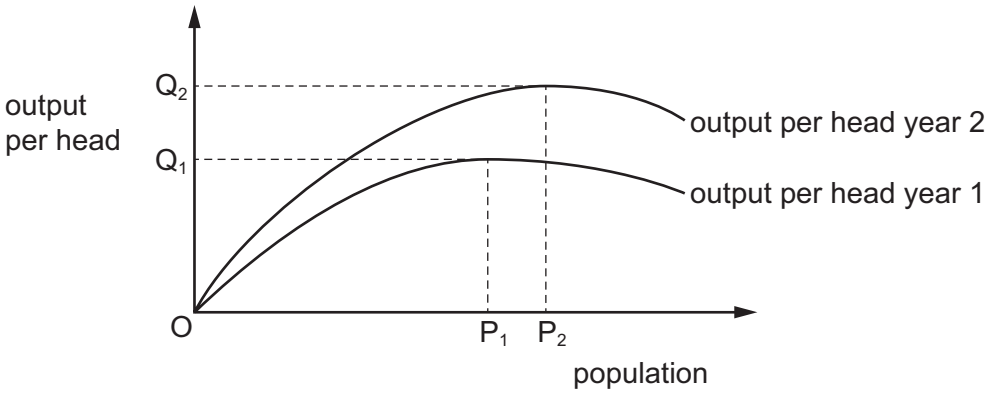
B the time it takes for the economy to respond to the introduction of the policy

C the time it takes for the foreign exchange rate to respond to the effect of the policy

D the time it takes to put the chosen policy measure into place

25 The optimum level of population is deemed to be that level at which real output per head is maximised.

The diagram shows the relationship between population size and output per head in a country for two different time periods.



Which change could **not** satisfactorily explain the shift from year 1 to year 2?

A Population has increased.

B State of technology has improved.

C Stock of capital has increased.

D Volume of productive resources in use has increased.

26 A government wants to reduce the current account deficit on the balance of payments.

What is an example of an expenditure-reducing policy?

A a devaluation of the currency

B a subsidy on domestic production

C a tariff on imports

D an increase in income taxes

27 During a year, a country's national income in money terms increased by 5%, prices increased by 4% and the total population increased by 2%.

What was the approximate change in real income per head?

A a decrease of 1%

B a decrease of 2%

C an increase of 1%

D an increase of 2%

28 What is most likely to result from foreign direct investment in a developing economy?

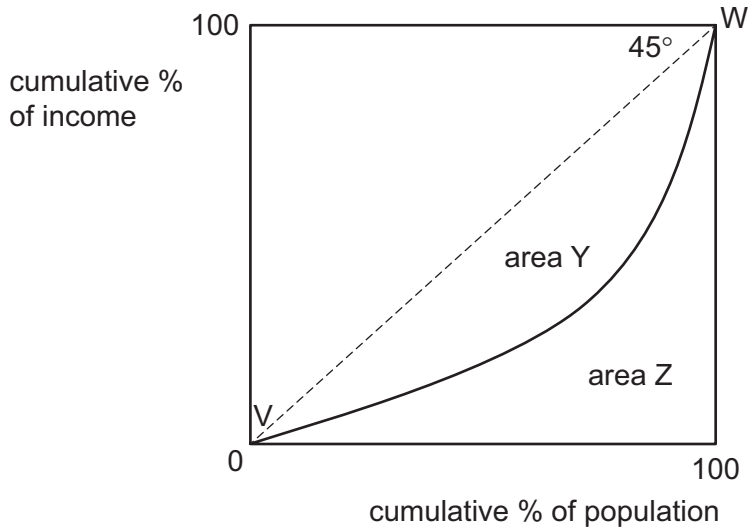
A an improvement in the developing economy's trade balance

B an increase in the developing economy's net investment income

C a reduction in the developing economy's government tax revenue

D a reduction in wage levels in the developing economy

29 The diagram shows an economy's Lorenz curve (VW).



How is the Gini coefficient for the economy calculated?

A $\frac{Y}{Y+Z}$ **B** $\frac{Y}{Z}$ **C** $\frac{Z}{Y}$ **D** $\frac{Z}{Y+Z}$

30 The table gives the percentage of employment in the primary, secondary and tertiary sectors in four countries.

Which country is most likely to be a high-income country?

	primary sector %	secondary sector %	tertiary sector %
A	15	40	45
B	30	40	30
C	35	45	20
D	45	35	20

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