Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/11**

Paper 1 AS Level Multiple Choice **May/June 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

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- 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.
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This document has **12** pages. Any blank pages are indicated.

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1 A worker earns $40 per hour. Rather than work, she decides to visit a museum for three hours. The visit costs a total of $40.

What is the opportunity cost of visiting the museum?

A $40 **B** $80 **C** $120 **D** $160

2 The nature of a typical car assembly plant has changed. The industry has fewer firms, operates on larger sites and has more automated machinery.

How is this change most likely to have affected the relative use of factors of production in the industry?

	increased relative use	decreased relative use
A	capital and enterprise	labour and land
B	enterprise and labour	land and capital
C	labour and land	capital and enterprise
D	land and capital	enterprise and labour

3 Which item would be **least** likely to be classed as land?

A fertilisers

B fisheries

C forests

D coal

4 Why does the concept of scarcity apply to the use of fossil fuels?

A Demand fluctuates according to price changes.

B Supply is insufficient to meet demand.

C Their use is restricted because of harmful pollution.

D They are being replaced by renewable energy sources.

5 An economist knows the current point at which an economy operates within its production possibility curve.

What can the economist conclude about this economy?

A its degree of self-sufficiency

B its international competitiveness

C its level of output of two goods

D its rate of economic growth

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6 An increase in which factor is likely to cause a shift to the left of the demand curve for cinema movies?

A expenses for the heating system in the cinema

B payments charged by movie scriptwriters

C the cost of transport to the cinema

D taxes on the incomes of cinema operators

7 Four firms supply the market. The market supply is 50 units at $20 and 100 units at $40. The table shows the market share of each firm at the two prices.

Which firm does **not** have a normal upward-sloping supply curve?

	% market share at $20	% market share at $40
A	10	10
B	20	50
C	30	20
D	40	20

8 Which statement is correct?

A Demand for an inferior good has a positive relationship to income and a negative relationship to price.

B Demand for an inferior good has a negative relationship to income and a negative relationship to price.

C Demand for a normal good has a positive relationship to income and a positive relationship to price.

D Demand for a normal good has a negative relationship to income and a positive relationship to price.

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9 In which row are both statements correct?

	consumer surplus	producer surplus
A	the value that consumers gain from consuming a good over and above the value that would have been gained from consuming the next best alternative	the difference between the actual revenue received by firms for a good and the profit maximising revenue
B	the value that consumers gain from consuming a good over and above the price paid	the difference between the price received by firms for a good or service and the price at which they would have been prepared to supply that good
C	the value that consumers gain from consuming a good over and above the price paid	the difference between the actual revenue received by firms for a good and the profit maximising revenue
D	the value that consumers gain from consuming a good over and above the value that would have been gained from consuming the next best alternative	the difference between the price received by firms for a good and the price at which they would have been prepared to supply that good

10 A firm calculates that the income elasticity of demand for its product is –3.0.

What can be deduced from this information?

A In a period of economic growth, its total revenue should increase.

B In a period of economic recession, its total revenue should increase.

C It has few substitutes so it should increase its price to increase total revenue.

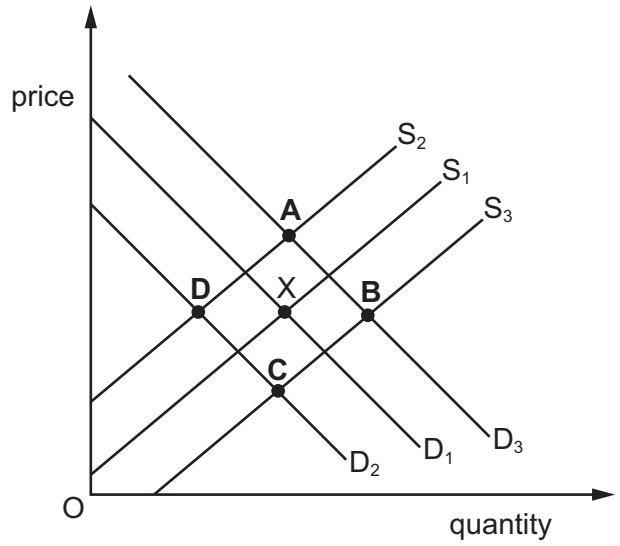
D It has many substitutes so it should decrease price to increase total revenue.

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11 The diagram shows the demand and supply curves for the global air cargo market.

The initial equilibrium is at point X.

What would the new equilibrium be if there is a global recession and an increase in fuel costs?



12 A government gives free food to poor households in a community.

What is this food an example of?

A a free good

B a public good

C a demerit good

D a normal good

13 A government wishes to raise the incomes of farmers without raising the price of food to consumers.

Which policy should it use?

A a maximum price below the market price for food

B a minimum price below the market price for food

C a payment of a subsidy to farmers to produce food

D a release of government food stocks onto the market

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14 Governments in market economies give different reasons for intervening in the operation of an economy.

Which reason given is a normative statement?

A Average incomes have failed to keep pace with price rises during the past year.

B Energy prices have increased by more than 50% during the past year.

C The distribution of incomes has become more unfair during the past year.

D The poorest 10% of households have suffered the greatest fall in average real income during the past year.

15 The table illustrates macroeconomic data for an economy. All figures are in $ billions.

What is the equilibrium real output?

	consumption expenditure	investment	government expenditure	exports	imports	real output
A	110	100	50	10	20	100
B	120	100	60	20	30	200
C	140	100	70	30	40	300
D	160	100	80	40	50	430

16 A country's net national income (NNI) is less than its gross national income (GNI).

What does this mean?

A incomes earned overseas were less than incomes sent overseas

B inflation has been accounted for in NNI but not in GNI

C the country's exports decreased

D there has been a net depreciation in the value of the country's fixed capital assets

17 Asha is currently unemployed. She has been offered a job but has decided to decline the offer and search for a better paid job.

Which type of unemployment is this?

A cyclical

B frictional

C seasonal

D structural

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18 A major trading nation, country X, is in equilibrium at the full employment level of real output. There is then a recession in its main international markets.

What are the most likely consequences of this change for country X?

	rate of inflation	unemployment
A	decrease	decrease
B	decrease	increase
C	unchanged	decrease
D	unchanged	increase

19 Why would a fall in a country's average price level cause its aggregate demand curve to slope downwards?

A It leads to an increase in interest rates.

B It reduces the real value of money balances.

C It makes the country's goods cheaper relative to foreign goods.

D It leads to the expectation of further price falls.

20 To counter deflation a central bank uses expansionary monetary policy.

What is likely to result?

A a higher cost of borrowing

B an increase in aggregate demand

C an appreciation of the exchange rate

D an increase in government debt

21 Which statement about government budget surpluses and deficits is the most accurate?

A A surplus implies that the balance of payments is in surplus.

B A surplus implies that the government is spending too much money.

C A deficit implies that the economy is in decline.

D A deficit implies that the national debt is increasing.

22 What is most likely to decrease if a government uses expansionary fiscal policy?

A a balance of payments deficit

B cyclical unemployment

C the level of wages

D the rate of inflation

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23 Sweden had a change in its Consumer Prices Index (CPI) of –0.6%.

Which combination of policies might its government use to restore price stability?

A increase interest rates and increase indirect taxes

B increase interest rates and reduce government spending

C reduce government spending and increase income tax

D reduce interest rates and increase government spending

24 What is a disadvantage of operating a floating exchange rate system?

A It makes it difficult to prioritise domestic economic policy aims.

B It makes the prices of internationally traded goods less predictable.

C It means that the government must keep significant foreign currency reserves.

D It requires continuous government intervention in currency markets.

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

A export subsidies

B import subsidies

C quotas

D tariffs

26 Countries X and Y both produce goods M and N. They decide to specialise and trade freely in the goods.

Under which conditions are the gains from specialisation and free trade likely to be **smallest**?

	mobility of factors of production between goods M and N	mobility of factors of production between countries X and Y
A	high	high
B	high	low
C	low	high
D	low	low

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27 The terms of trade for a country increased from 100 to 120.

Which statements are correct?

1 The terms of trade have deteriorated.

2 Fewer exports are needed to buy the same quantity of imports.

3 The balance of payments must improve.

A 1 and 2 **B** 1 only **C** 2 and 3 **D** 2 only

28 The table shows the number of Turkish lira (TRY) which can be exchanged for one US dollar (USD) in 2016 and 2021.

date	exchange rate
July 2016	1 USD = 2.83 TRY
July 2021	1 USD = 8.15 TRY

What is the most likely cause of the change in the price of Turkish lira between 2016 and 2021?

A a sustained fall in the demand for Turkish imports

B a sustained fall in Turkish government debt as a percentage of GDP

C a sustained rise in Turkish interest rates

D a sustained rise in Turkish inflation

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29 The table shows the current account of a balance of payments for January 2021.

	$m
exports of goods	15 000
imports of goods	17 000
services	
credit	2 500
debit	2 000
primary income	
credit	100
debit	1 000
secondary income balance	60

What is the current account balance?

A a deficit of $2340m

B a deficit of $2000m

C a surplus of $2340m

D a surplus of $2000m

30 Which policy would **not** be an argument for the use of import tariffs?

A They are an effective way of raising revenue.

B They improve the balance of payments on a current account.

C They improve a nation's terms of trade in a bilateral agreement.

D They may lead to retaliation by trading partners.

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1 What is **not** an example of a public good?

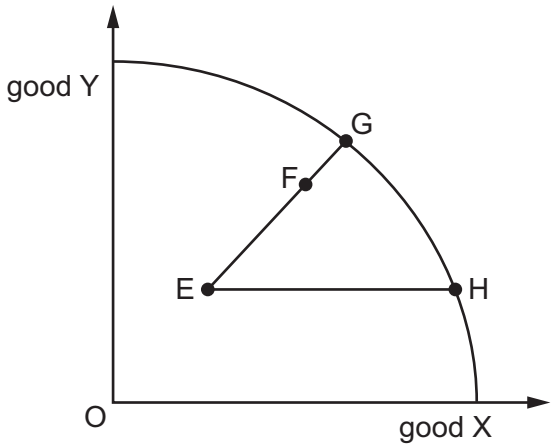
A education

B flood control systems

C national defence

D street lighting

2 The diagram shows a production possibility curve for an economy that produces two goods, X and Y.



When will the opportunity cost of producing more of good X be the largest?

A moving from point E to point F

B moving from point E to point G

C moving from point E to point H

D moving from point G to point H

3 Which activity illustrates the consumption of a 'free' good?

A a farmer using water taken from a river

B a patient visiting a medical facility provided by a charity

C a person breathing air in the countryside

D a person eating their birthday cake given as a gift by a friend

4 What is essential to eliminate scarcity?

A the existence of sufficient resources to meet all needs and wants

B producers consistently produce in excess of demand

C the government has a surplus budget

D there is equilibrium in all markets

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5 What will encourage a higher degree of division of labour?

A firms wishing for a greater level of self-sufficiency

B firms wishing to increase their flexibility in production

C firms wishing to raise their level of productivity

D firms wishing to reduce their level of risk

6 Which business is likely to be the slowest to alter its output in response to a sustained increase in demand for its product?

A a fast-food restaurant

B a household cleaning service

C a newspaper printer

D an oil exploration company

7 A company uses large amounts of gas to produce steel. Supplies of gas are reduced at the same time as the market for steel is hit by a recession.

What can be said about the likely changes in the market for steel?

	equilibrium price	equilibrium quantity
A	falls	uncertain
B	rises	uncertain
C	uncertain	falls
D	uncertain	rises

8 A firm is charging a price of $12 for its product and using 80% of its production capacity of 10 000 units per month.

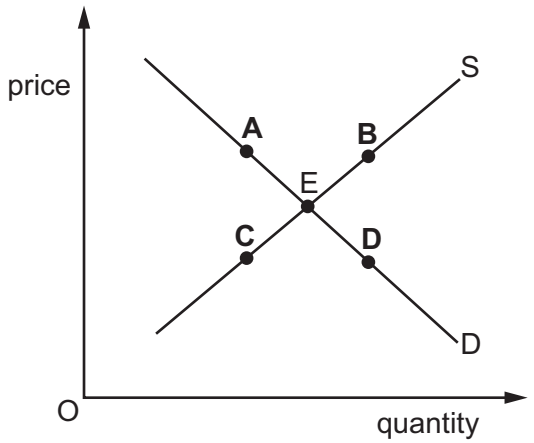
Assuming the product has unitary price elastic demand, which price should the firm charge to utilise its full capacity?

A $9.00 **B** $9.60 **C** $10.00 **D** $10.60

9 The diagram shows the demand for and supply of hotel accommodation. The market equilibrium is at point E.

The hotel receives a very large number of bad reviews about the quality of its accommodation.

Which point on the diagram would show the new market equilibrium?



10 What most accurately describes a market supply curve?

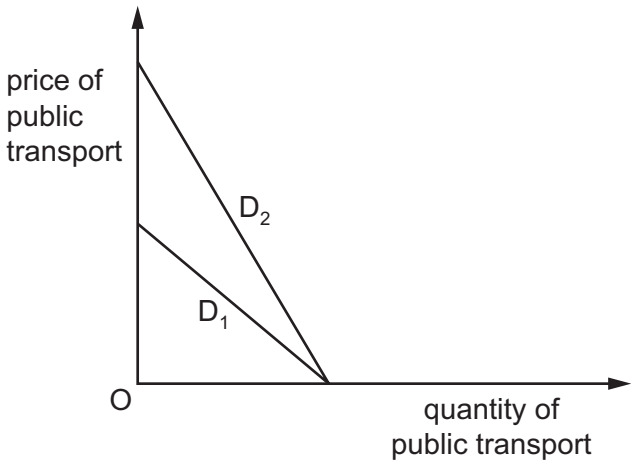
A supply at different income levels, assuming product prices remain unchanged

B supply at different levels of factor prices, assuming product prices remain unchanged

C supply at different prices, assuming no changes in technology

D supply at different time periods, assuming no changes in technology

11 In the diagram, D_1 shows an individual's initial demand curve for public transport.



What could cause the demand curve to shift to D_2?

A The costs of running the individual's car fall.

B The individual is no longer able to drive.

C The price of public transport falls.

D The public transport services are reduced.

12 A government introduces an effective minimum price for a product but makes no other intervention in the market.

This policy suggests that the government's objective is

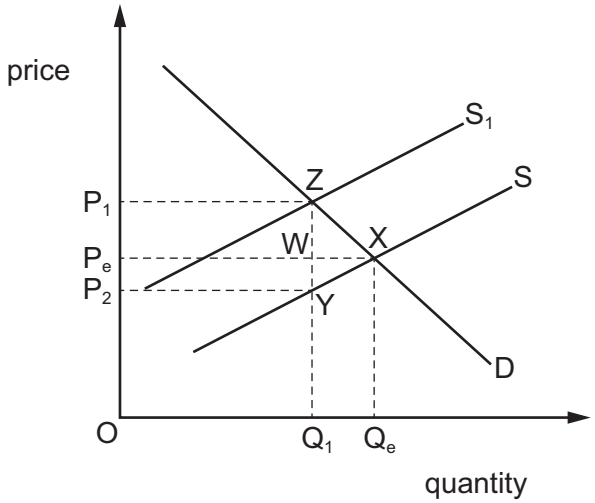
A to discourage consumption of a demerit good.

B to increase the consumption of a merit good.

C to reduce the price of a private good.

D to support the incomes of producers.

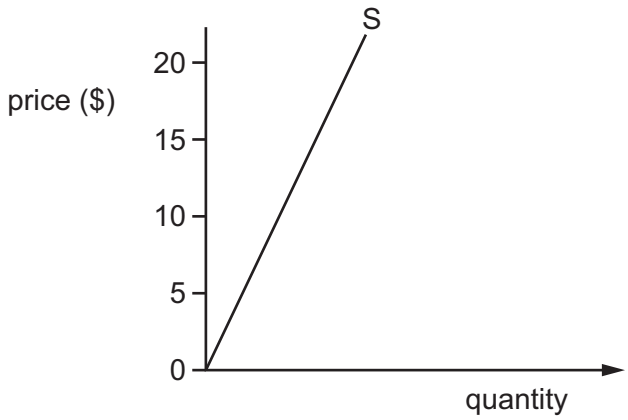
13 The diagram shows the effect of an indirect tax imposed on cigarettes. The market is initially in equilibrium at point X.



Which area represents the incidence of the tax on consumers?

A P_1ZYP_2 **B** P_1ZWP_e **C** P_eWYP_2 **D** P_eXZP_1

14 The diagram shows the supply curve of a product.



The government imposes a specific indirect tax of $5 on the product.

How will the price elasticity of supply of the product change?

A from elastic (>1) to inelastic (<1)

B from inelastic (<1) to elastic (>1)

C from inelastic (<1) to unitary (=1)

D from unitary (=1) to elastic (>1)

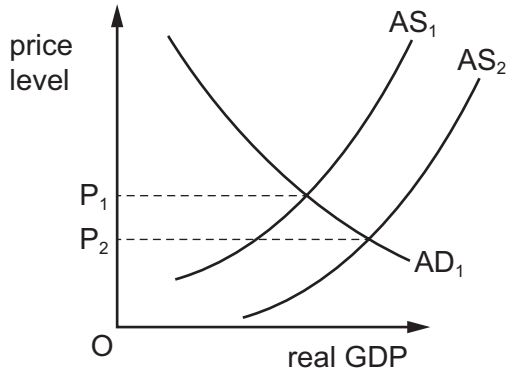
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15 The diagrams show a country's aggregate demand (AD_1) and aggregate supply (AS_1) curves.

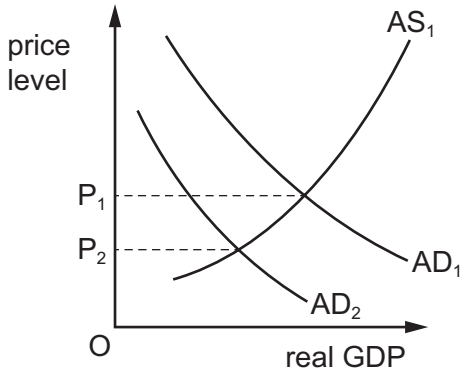
Since the world economic downturn (2007–2008), some governments have reduced labour costs and ensured interest rates remained unchanged.

How would this most likely be shown on a diagram?

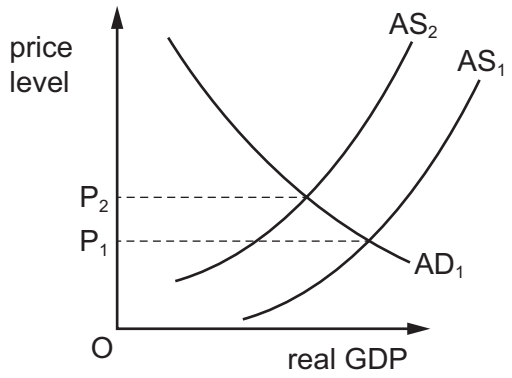
A



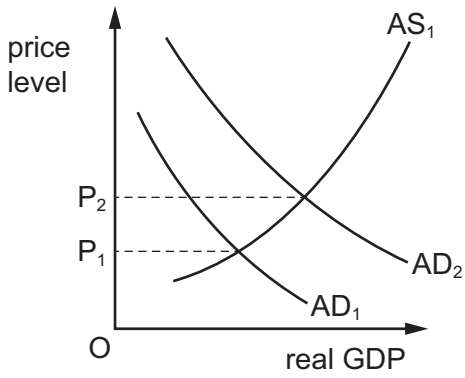
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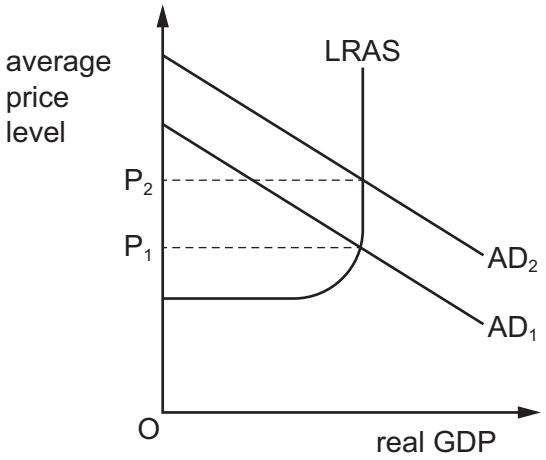
C



D



16 The diagram shows the effect on the average price level when aggregate demand (AD) increases from AD_1 to AD_2.



Which statement relating to this change in aggregate demand is correct?

A Nominal GDP has increased.

B Nominal GDP is unchanged.

C Real GDP has increased.

D Real GDP has fallen.

17 The table lists the values of the components of an economy's circular flow of income.

component	value $m
government spending	6
exports	8
investment	9
imports	7
saving	10
tax	5

What can be concluded about the economy from the information shown?

A It has a budget surplus.

B It has a trade deficit.

C It is a mixed, open economy.

D Its circular flow is in equilibrium.

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18 What is a cost of negative economic growth?

A deteriorating balance of payments

B higher inflation

C higher unemployment

D increased pollution

19 A government statistical office measured changes in income from employment, pensions and benefits, then subtracted income tax and welfare contributions and adjusted for inflation.

What did the final figure represent?

A changes in nominal income

B changes in nominal net earnings

C changes in real disposable income

D changes in real gross earnings

20 Which combination of fiscal and monetary policies is most likely to be effective in the short run to prevent deflation in a closed economy?

	fiscal policy	monetary policy
A	decreasing the budget deficit	decreasing the interest rate
B	decreasing the budget deficit	decreasing the money supply
C	increasing the budget deficit	decreasing the interest rate
D	increasing the budget deficit	decreasing the money supply

21 Which macroeconomic objective is most likely to be achieved by increasing income tax?

A depreciation of the exchange rate

B economic growth

C low unemployment

D price stability

22 What is **not** a supply-side policy?

A increasing government expenditure on infrastructure

B increasing research and development expenditure

C increasing subsidies for education and training

D increasing the supply of money

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23 When can a policy be classified as macroeconomic?

A when it focuses on the level of individual welfare

B when it involves economy-wide institutions and behaviour

C when it is based on the control of monopoly markets

D when it relies on the use of buffer stock schemes

24 The demand for a country's exports is price elastic.

If it is experiencing a deficit on the current account of its balance of payments, which combination of policies is most likely to correct the deficit?

	rate of interest	exchange rate	standard rate of income tax
A	decrease	appreciate	keep unchanged
B	decrease	depreciate	decrease
C	increase	keep unchanged	decrease
D	keep unchanged	depreciate	increase

25 What is an unintended consequence of the US government restricting imports of cheap Chinese steel?

A US importers of steel pay lower prices for steel.

B US manufacturers become less competitive.

C US steel makers increase steel production.

D US steel workers receive higher incomes.

26 What is an export of services in Jamaica's current account?

A an inflow of funds to Jamaica to buy shares

B earnings from US tourists visiting Jamaica

C earnings of Haitian workers in Jamaica sent to Haiti

D the export of Jamaican coffee

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27 A country imports natural gas for which it has price-inelastic demand.

What is the effect if that country imposes an import duty on the gas?

A Consumers in the importing country will suffer a loss of consumer surplus.

B The exporting country will gain export revenue.

C The importing country's primary income will increase.

D The price of natural gas will rise in other importing countries.

28 The table shows the output of goods X and Y in China and the United States (US) before specialisation.

	good X	good Y
China	20 000	70 000
US	20 000	50 000
total	40 000	120 000

Assuming both China and the US use 50% of their resources to produce each product, what will the combined total output be after specialisation has occurred?

A 120 000 **B** 140 000 **C** 160 000 **D** 180 000

29 Economists suggest that multilateral trade between many countries is preferable to bilateral trade between two countries.

Why is this?

A Bilateral trade means that trade diversion is always greater than trade creation.

B Bilateral trade misses the benefit of trade with third countries.

C Gains from bilateral trade are less than the harm done to third countries.

D Gains from comparative advantage cannot apply in the case of bilateral trade.

30 A country experiences an improvement in its terms of trade.

What is the most likely cause?

A a decrease in its budget deficit

B a relatively low rate of domestic inflation

C a rise in its exchange rate

D a surplus on its primary income account

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