Cambridge Assessment International Education

# Cambridge International AS & A Level

**ECONOMICS** **9708/12**

Paper 1 Multiple Choice **February/March 2022**

**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**

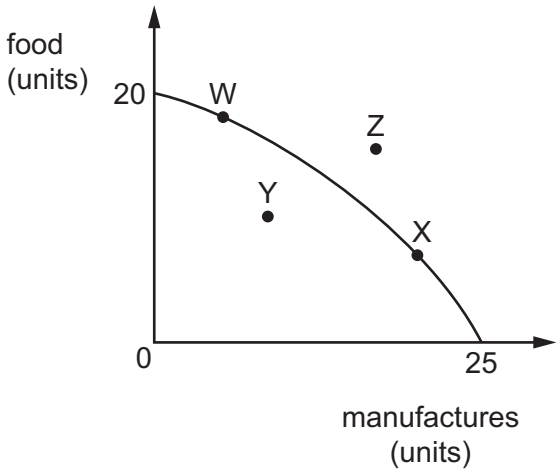
- The total mark for this paper is 30.
- Each correct answer will score one mark.
- Any rough working should be done on this question paper.



IB22 03_9708_12/2RP
© UCLES 2022

**1** A production possibility curve shows the combinations of outputs an economy can produce using all available resources.

At which points on the diagram are all available resources used?




**A** W and X only

**B** W, X and Z only

**C** W, X, Y and Z

**D** Z and Y only

**2** What is a normative economic action based on?

**A** fact

**B** market forces

**C** opinion

**D** price changes

**3** Which function of money overcomes the double coincidence of wants problem that exists in a barter system?

**A** medium of exchange

**B** standard of deferred payment

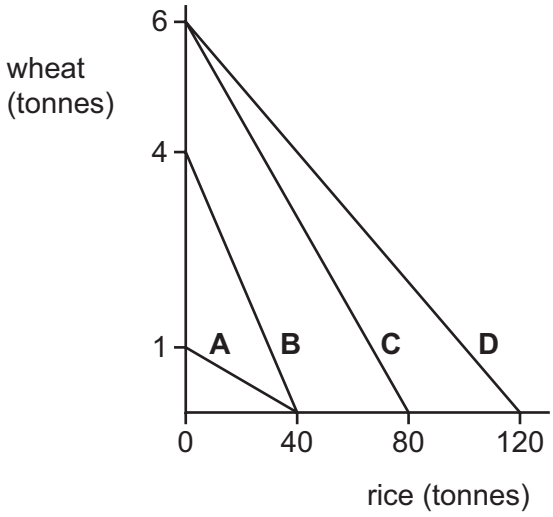
**C** store of value

**D** unit of account

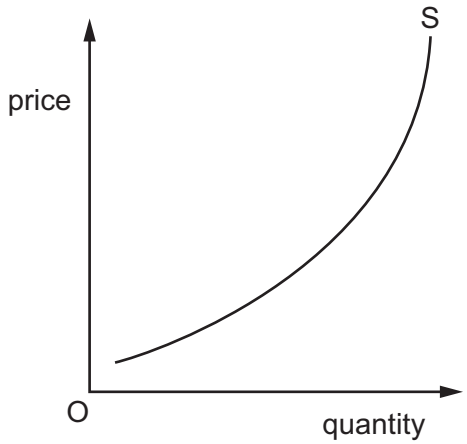
© UCLES 2022

**4** The production possibility curves (PPCs) show the abilities of four economies to produce wheat and rice.

Which PPC has the lowest opportunity cost for producing wheat?




**5** The diagram shows a supply curve for chicken.




What explains why the supply curve for chicken slopes upwards?

**A** An increase in the demand for chicken will bring about a rise in supply.

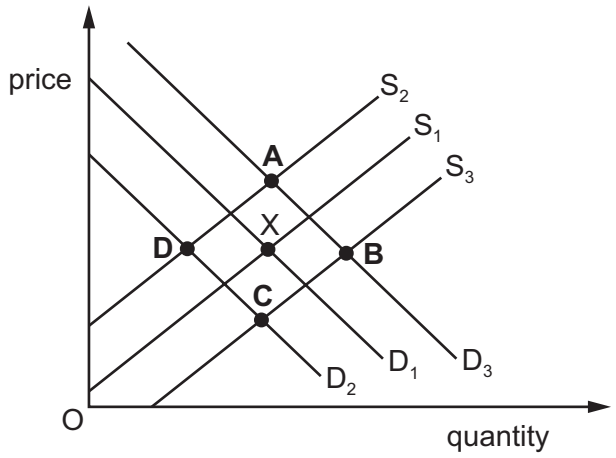
**B** Farmers' productivity rises as the price rises.

**C** Increased production leads to a reduction in costs.

**D** The cost of additional chicken production rises as output increases.

**6** The diagram shows the demand and supply curves for cars in India. The initial equilibrium is at X.

What will be the new equilibrium if there is a subsidy given to Indian car manufacturers and there is also an increase in the price of train and bus journeys in India?




**7** Demand curves are drawn ceteris paribus.

Which 'other things' are **not** required to remain the same when an individual's demand curve for ice cream is constructed?

**A** the consumer's income

**B** the consumer's tastes and preferences

**C** the price of fresh fruit

**D** the price of ice cream

**8** What is the measure of cross-elasticity of demand for good X in terms of good Y?

**A** the change in the demand for X divided by the change in the price of Y

**B** the change in the price of X divided by the change in the demand for Y

**C** the percentage change in the demand for X divided by the percentage change in the price of Y

**D** the percentage change in the demand for Y divided by the percentage change in the price of X

**9** When will the price mechanism be **least** likely to reallocate resources to meet a change in consumer preferences?

**A** when the government removes all price controls

**B** when the new preferences are for more public goods

**C** when the supply of factors of production is limited

**D** when there is a redistribution of income

© UCLES 2022

**10** A firm estimates that the price elasticity of supply of its product is +1.5.

What does this indicate?

**A** The firm has available stock.

**B** The firm has no excess capacity.

**C** The firm operates in a competitive market.

**D** The firm raises its price by 10% and its total revenue increases by 15%.

**11** A rise in the price of a good is accompanied by an increase in the quantity demanded.

What could explain this?

**A** Consumers spend a high proportion of disposable income on the good.

**B** The price of a complementary good has also increased.

**C** The price of the good is taken to be an indication of the level of quality.

**D** The substitute goods are all very much more expensive.

**12** What causes the demand curve for an inferior good to shift to the right?

**A** a decrease in consumer incomes

**B** a decrease in income tax

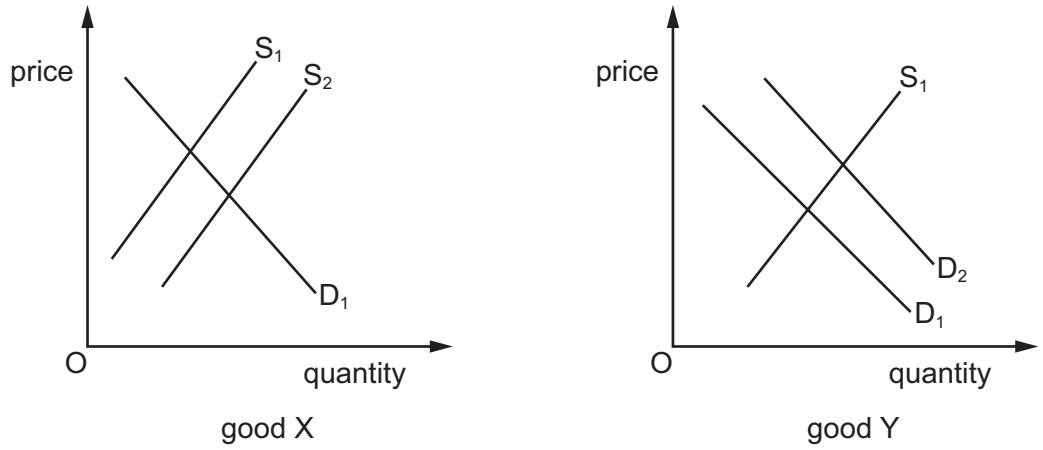
**C** a decrease in the price of a substitute good

**D** a decrease in the price of the good

© UCLES 2022

**[Turn over**

**13** The diagrams show the effect of a change in the market for good X on the market for good Y.




What is the **most** likely relationship between the two goods?

**A** X and Y are complements.

**B** X and Y are demerit goods.

**C** X and Y are in joint supply.

**D** X and Y are substitutes.

**14** To improve its financial position, a government decided to reduce expenditure on investment in the public sector. There was not a fall in economic growth.

What was the **most** likely effect of the government's action?

**A** An original budget deficit was reduced.

**B** An original budget surplus was reduced.

**C** Consumer expenditure decreased.

**D** Public sector productivity decreased.

**15** What are the effects of a government imposing a maximum price below the equilibrium price?

| | demand | supply |
|---|---|---|
| **A** | falls | falls |
| **B** | falls | rises |
| **C** | rises | falls |
| **D** | rises | rises |

© UCLES 2022

**16** The National Library Board of Singapore is a public sector organisation that finances and manages the state libraries.

What is the **most** likely reason for this?

**A** Libraries are public goods.

**B** Libraries are merit goods.

**C** The cost of providing library services would be greater in the private sector.

**D** The opportunity cost to the public sector of providing library services is zero.

**17** Three types of tax are listed.

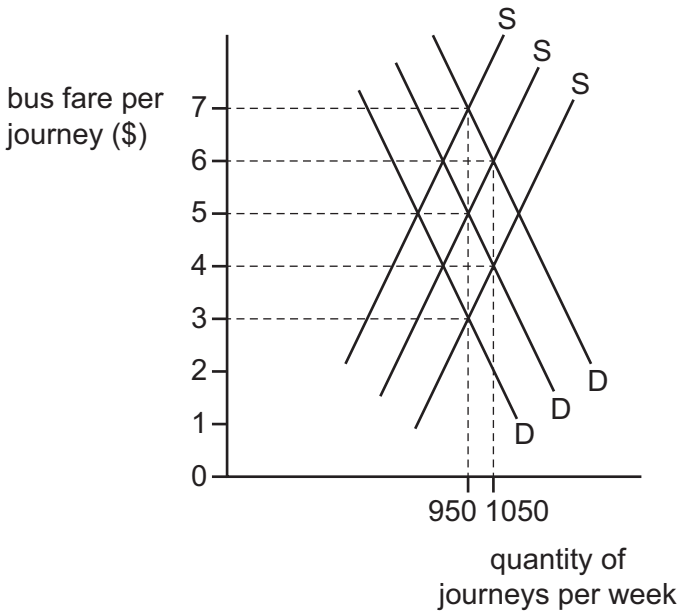
- a sales tax (VAT) on fuel
- a specific tax of 10% on cigarettes
- the percentage of income tax on individual earnings increases as taxable income increases

Which combination describes the effect of each of these types of tax?

| | VAT | specific tax | income tax |
|---|---|---|---|
| **A** | progressive | progressive | regressive |
| **B** | progressive | regressive | progressive |
| **C** | regressive | progressive | regressive |
| **D** | regressive | regressive | progressive |

© UCLES 2022

**18** The bus fare in a rural area is $5 per journey. The government decides to improve local transport by giving bus firms a subsidy of $2 per journey. The diagram shows the possible changes in demand and supply.

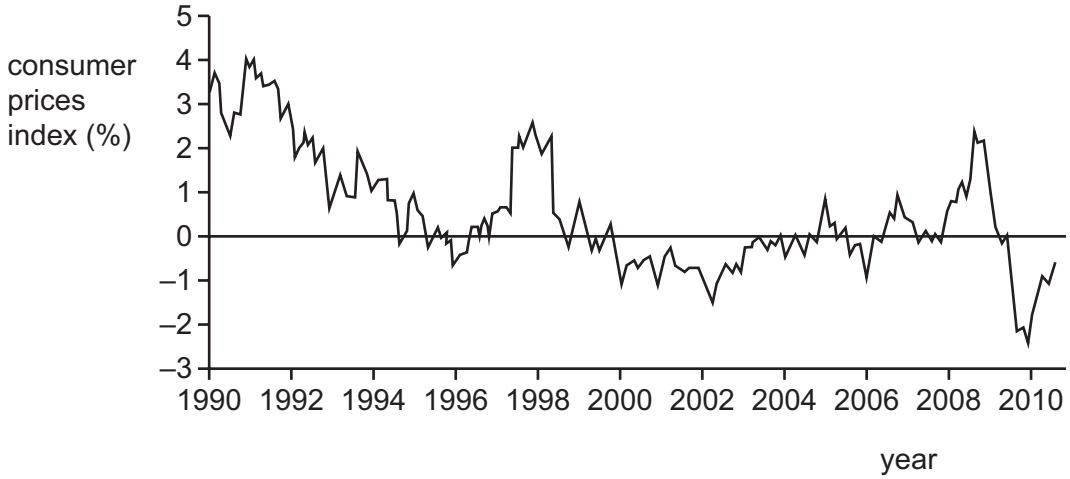



What is the new quantity of journeys and the bus fare for a journey?

| | quantity of journeys | bus fare ($) |
|---|---|---|
| **A** | 950 | 3 |
| **B** | 950 | 7 |
| **C** | 1050 | 4 |
| **D** | 1050 | 6 |

© UCLES 2022

**19** The diagram shows the annual consumer prices index for Japan over the years 1990–2010 inclusive.




In which period did Japan experience both inflation at a rate of approximately 2% and deflation at a rate of approximately 2.5%?

**A** 1992–1994 **B** 1996–1998 **C** 2006–2008 **D** 2008–2010

**20** A government removes its quota on imported laptops.

Assuming a normal demand curve and upward-sloping supply curve for laptops, what are the likely effects on domestic laptop manufacturers?

| | change in price received by domestic manufacturers | change in income received by domestic manufacturers |
|---|---|---|
| **A** | decrease | decrease |
| **B** | increase | increase |
| **C** | decrease | uncertain |
| **D** | increase | uncertain |

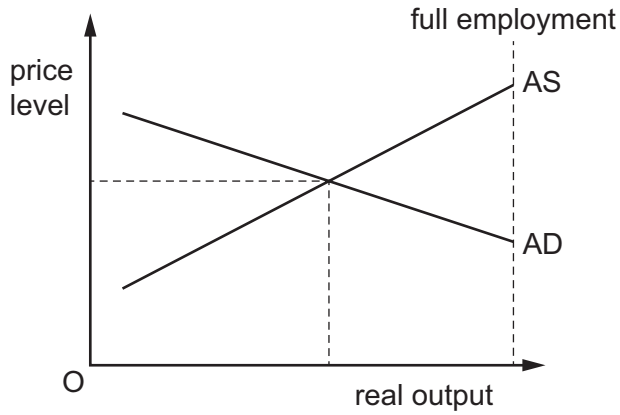
**21** The terms of trade index for Mauritius fell from 111.2 in the first quarter of 2018 to 106.1 in the second quarter.

Which combination could have produced this outcome?

| | export prices | import prices |
|---|---|---|
| **A** | rose | fell |
| **B** | rose | rose |
| **C** | rose | unchanged |
| **D** | unchanged | fell |

© UCLES 2022

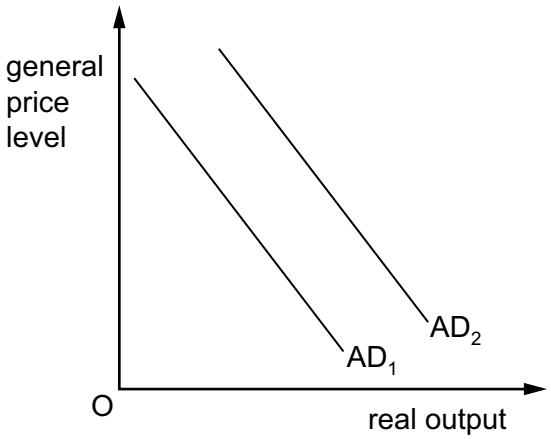
**22** From the initial position of equilibrium shown, there is an increase in government expenditure on goods and services and simultaneously an increase in the costs of production of goods and services.




What best describes the likely impact on the economy?

| | equilibrium level of national income | equilibrium level of prices |
|---|---|---|
| **A** | falls | uncertain |
| **B** | no change | no change |
| **C** | rises | rises |
| **D** | uncertain | rises |

**23** The diagram shows a shift in an economy's aggregate demand curve from $AD_1$ to $AD_2$.




What could **not** be a cause of the shift?

**A** a decrease in income tax

**B** a decrease in the price of goods

**C** an increase in money wage rates

**D** an increase in the money supply

© UCLES 2022

**24** Which item is **not** included in the current account on the balance of payments statement?

**A** the balancing item

**B** the export of services

**C** the import of goods

**D** the interest received from investment overseas

**25** The prices of a country's exports rise by 5% while the prices of its imports fall by 5%.

What will definitely improve in the country as a result of these changes?

**A** balance of trade

**B** current account balance

**C** exchange rate

**D** terms of trade

**26** What is **not** a form of protectionism?

**A** embargoes

**B** increase in sales tax (VAT)

**C** subsidies on goods for export

**D** voluntary export restraints

**27** Two countries, X and Y, produce food and drink. The table shows how many hours it takes them to produce one unit of each.

| | food | drink |
|---|---|---|
| X | 10 | 2 |
| Y | 20 | 12 |

What will be the result if country Y doubles its productivity in the output of drink and both countries produce only one good according to comparative advantage?

**A** X will continue to produce drink.

**B** Y will produce drink instead of food.

**C** World drink production will rise.

**D** World food production will fall.

**28** 'Reducing the exchange rate helps to decrease a country's balance of payments deficit because it makes imports more expensive and exports cheaper.'

What does this statement describe?

**A** a deflationary policy

**B** a policy of direct controls

**C** an expenditure-reducing policy

**D** an expenditure-switching policy

**29** An increase in which variable is a contractionary monetary policy?

**A** the budget deficit

**B** the budget surplus

**C** the interest rate

**D** the money supply

**30** What are government monetary policies that would be the most effective in a global recession?

**A** allowing the rate of interest to fluctuate and increasing business taxation

**B** increasing the budget surplus and raising tariffs on imports

**C** keeping the rate of interest very low and increasing the money supply

**D** raising the rate of interest and restricting the money supply

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge Assessment International Education is part of Cambridge Assessment. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which is a department of the University of Cambridge.