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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education
Advanced Subsidiary Level and Advanced Level

ECONOMICS **9708/11**

Paper 1 Multiple Choice (Core) **October/November 2009**

1 hour

Additional Materials: Multiple Choice Answer Sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

* 6 3 4 8 7 0 1 7 1 9 *

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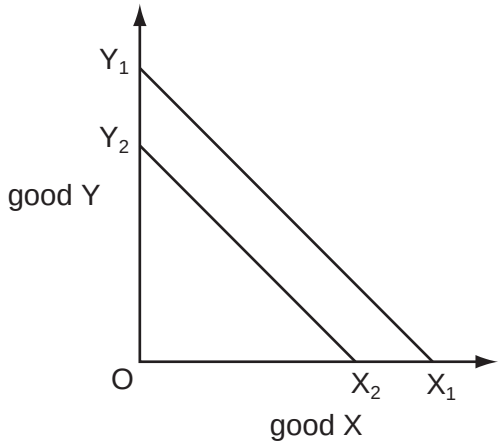
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1 Tom has set up his own business, which is based in premises owned by Fanda. All machinery is hired from an equipment company. Both Tom and Fanda are employed in the business.

What describes the earnings of Tom and Fanda?

	Tom	Fanda
A	rent and profit	interest and profit
B	wages and profit	wages and rent
C	interest and rent	rent and profit
D	wages and interest	wages and interest

2 The diagram illustrates the production possibility curves for an economy in Year 1 (X_1 Y_1) and Year 2 (X_2 Y_2).



What can be concluded from the diagram?

A The cost of production was lower in Year 2 than in Year 1.

B The full employment level of output was lower in Year 2 than in Year 1.

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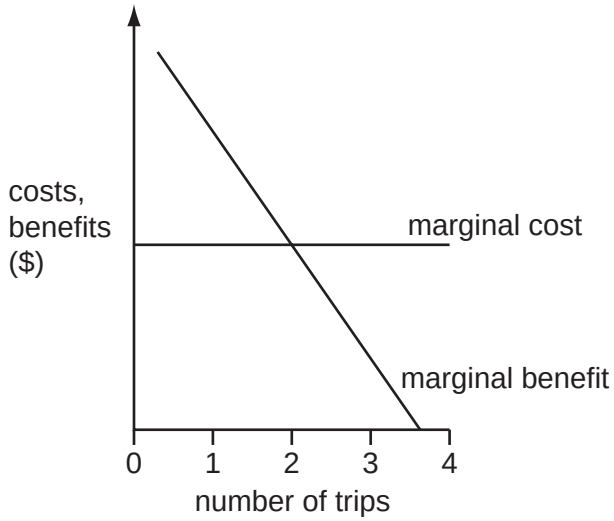
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5 A change in market conditions causes a reduction in supply. This results in a higher price for the product, which has a downward-sloping demand curve.

What must be the outcome of this higher price?

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If the price of each item increased by 1 %, for which items would the total expenditure increase?

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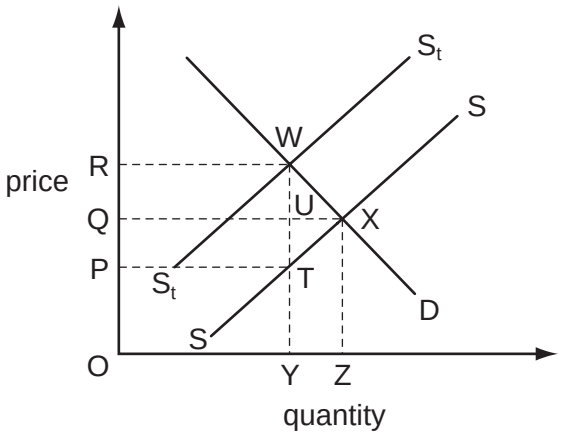
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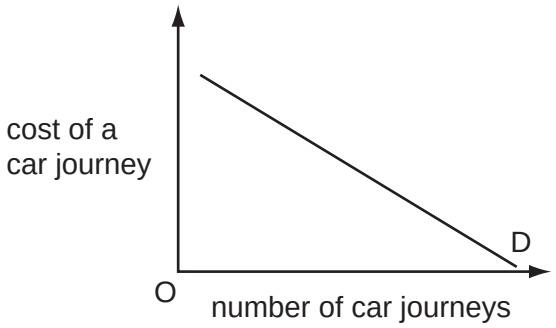
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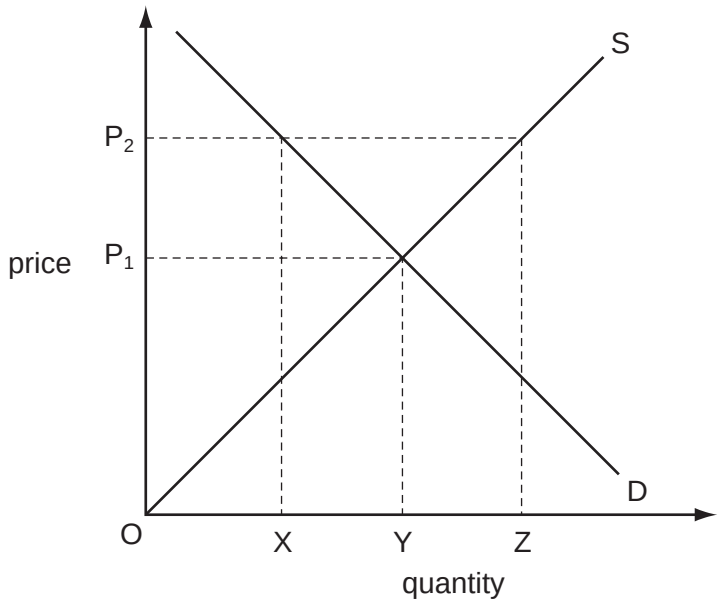
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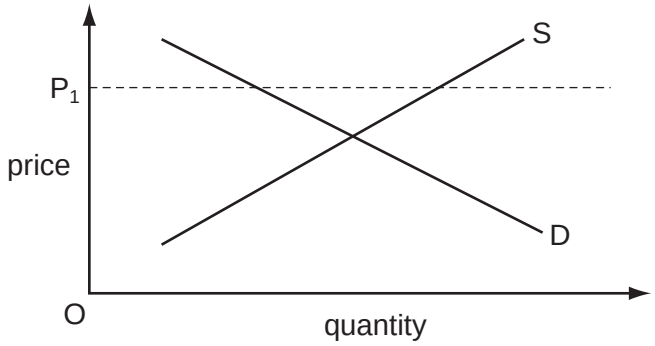
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year 2	–87	46	–3	–4

What can be concluded about the changes between year 1 and year 2?

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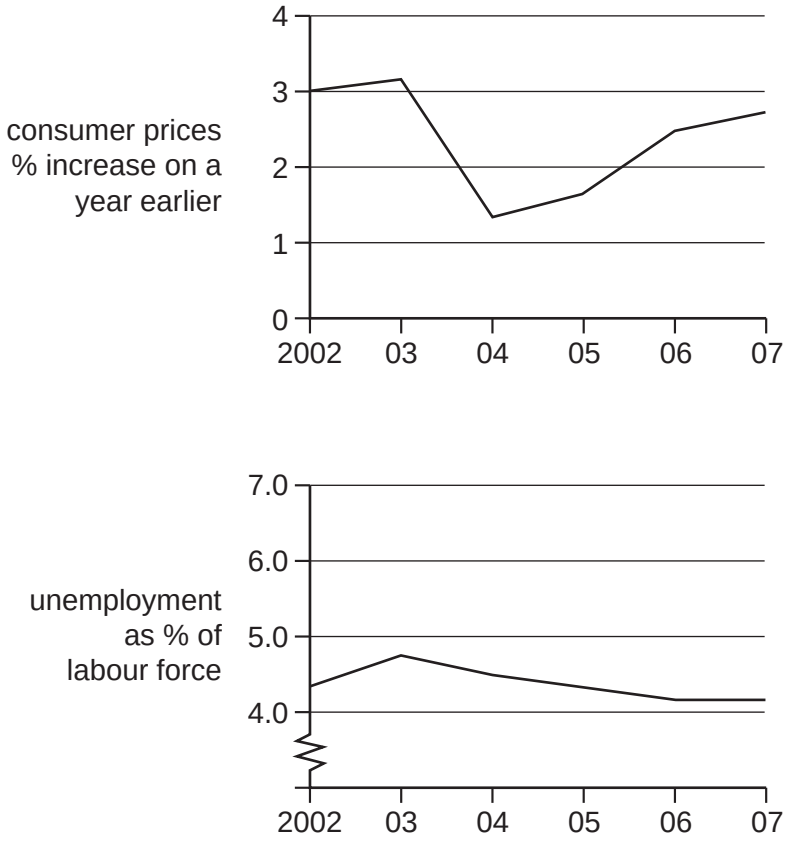
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What can be concluded from the graphs?

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In which year did the country have its largest visible trade deficit?

	value of exports of goods ($m)	value of imports of goods ($m)	value of net income and transfers ($m)
A	3914	3005	+110
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D	5226	5102	–101

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year	exchange rate index	volume of exports index	volume of imports index	balance of trade in goods and services ($)
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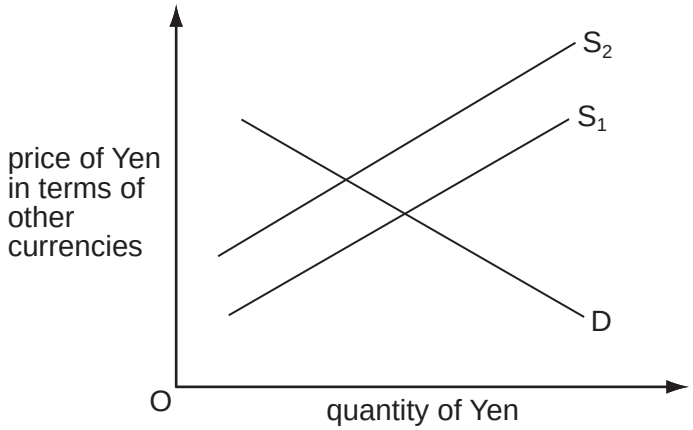
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B There has been an improvement in the terms of trade.

C There has been an increase in the level of real income per head.

D There has been an increase in the price of imports.

28 The diagram shows the market for Japanese Yen.



What could have caused the change in the supply of Yen from S_1 to S_2?

A a reduction in the level of international investment into Japan

B a reduction in the level of Japanese tariffs

C a reduction in the value of foreign goods imported into Japan

D a reduction in the value of Japanese goods exported

29 Country X trades with only two countries, the USA and Japan.

90 % of the country's trade is with the USA and 10 % is with Japan.

The original value of the trade-weighted exchange rate index is 100.

The value of country X's currency against the US$ rises by 10%. The value of country X's currency against the Japanese yen rises by 50 %.

What will be the value of country X's new trade-weighted exchange rate index?

A 114 **B** 115 **C** 130 **D** 160

30 A government with a floating exchange rate wishes to encourage a rise in the international value of its currency.

What should it do?

A Lower the level of domestic interest rates.

B Reduce the amount of foreign currency available to its citizens.

C Reduce subsidies to its exporters.

D Remove trade barriers on imports.

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ECONOMICS **9708/12**

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1 hour

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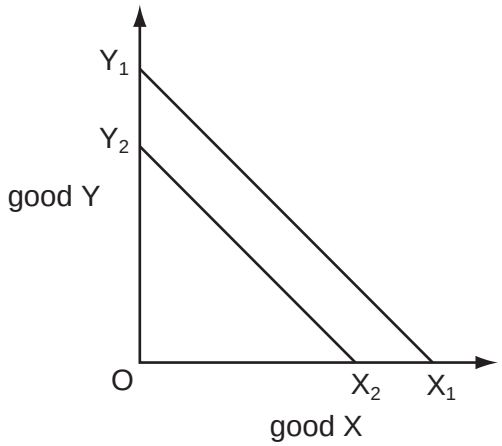
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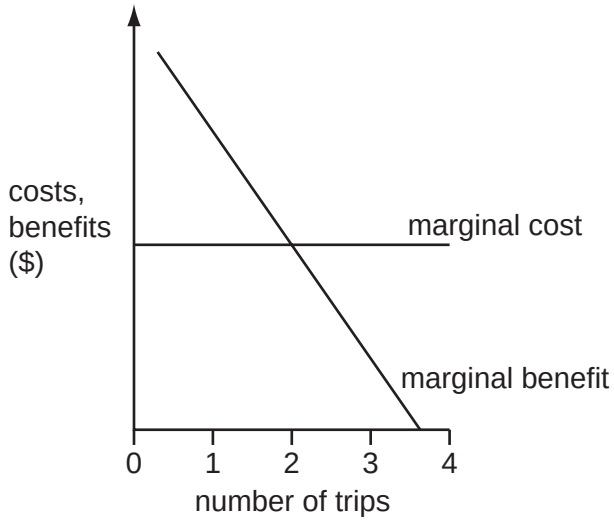
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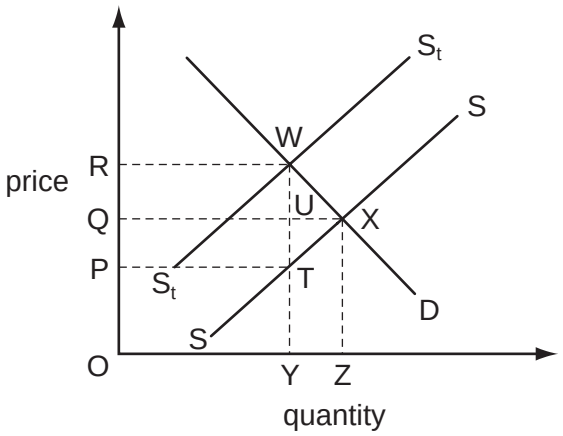
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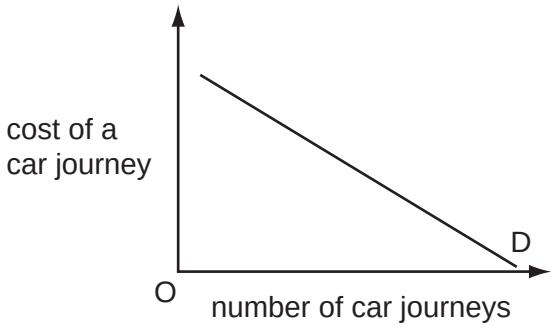
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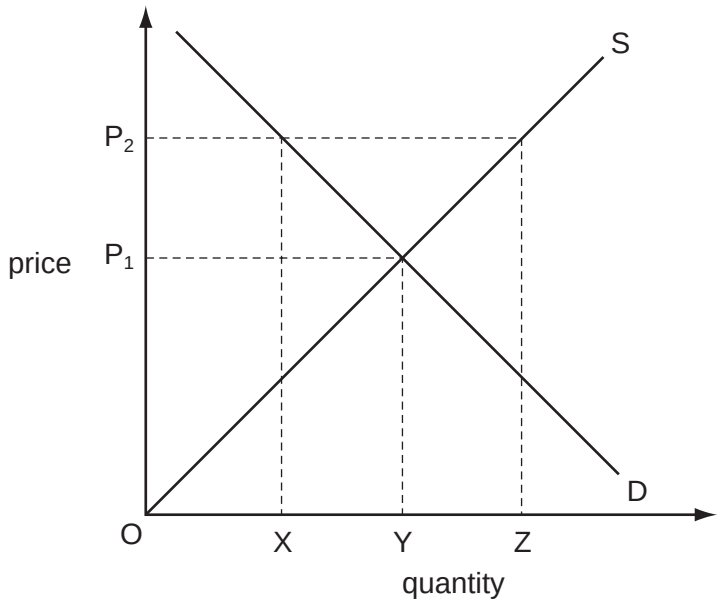
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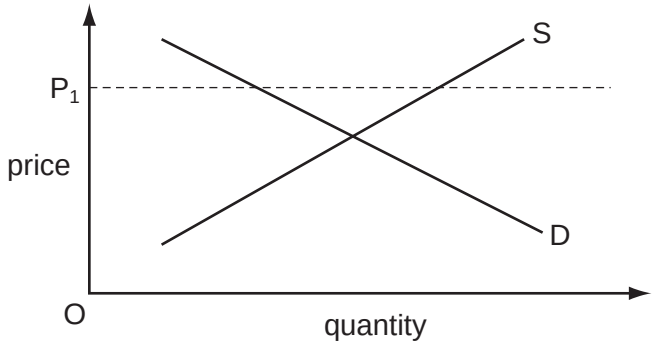
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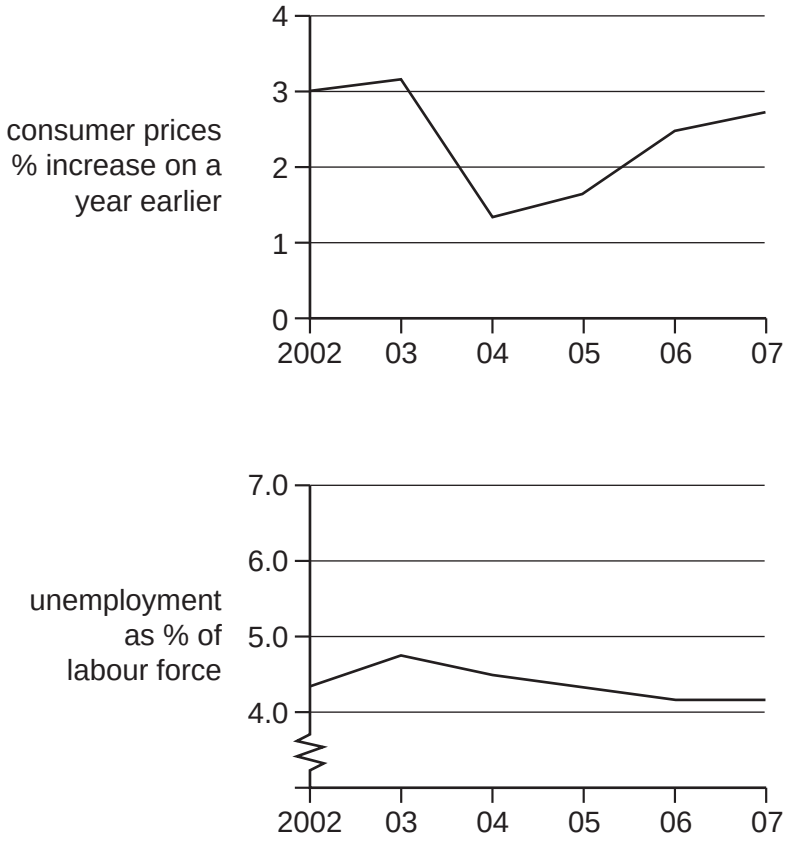
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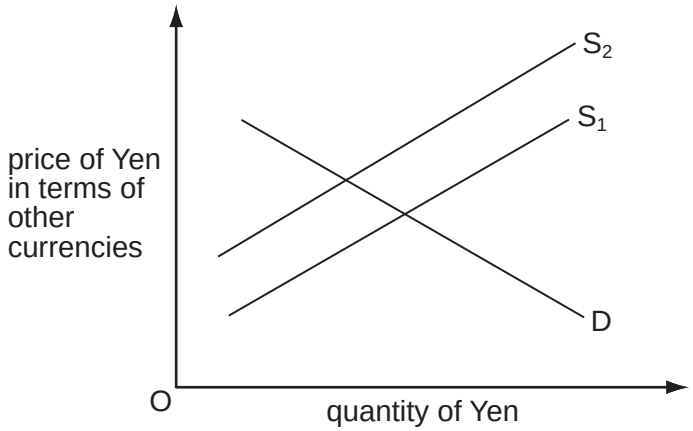
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D There has been an increase in the price of imports.

27 The diagram shows the market for Japanese Yen.



What could have caused the change in the supply of Yen from S_1 to S_2?

A a reduction in the level of international investment into Japan

B a reduction in the level of Japanese tariffs

C a reduction in the value of foreign goods imported into Japan

D a reduction in the value of Japanese goods exported

28 Country X trades with only two countries, the USA and Japan.

90 % of the country's trade is with the USA and 10 % is with Japan.

The original value of the trade-weighted exchange rate index is 100.

The value of country X's currency against the US$ rises by 10%. The value of country X's currency against the Japanese yen rises by 50 %.

What will be the value of country X's new trade-weighted exchange rate index?

A 114 **B** 115 **C** 130 **D** 160

29 A government with a floating exchange rate wishes to encourage a rise in the international value of its currency.

What should it do?

A Lower the level of domestic interest rates.

B Reduce the amount of foreign currency available to its citizens.

C Reduce subsidies to its exporters.

D Remove trade barriers on imports.

30 Tom has set up his own business, which is based in premises owned by Fanda. All machinery is hired from an equipment company. Both Tom and Fanda are employed in the business.

What describes the earnings of Tom and Fanda?

	Tom	Fanda
A	rent and profit	interest and profit
B	wages and profit	wages and rent
C	interest and rent	rent and profit
D	wages and interest	wages and interest

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