GradeMax

Cambridge Assessment International Education

# Cambridge International AS & A Level

**ECONOMICS** **9708/11**

Paper 1 AS Level Multiple Choice **October/November 2023**

**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.

This document has **12** pages.


© UCLES 2023

**[Turn over**

GradeMax



**1** What will help solve the basic economic problem?

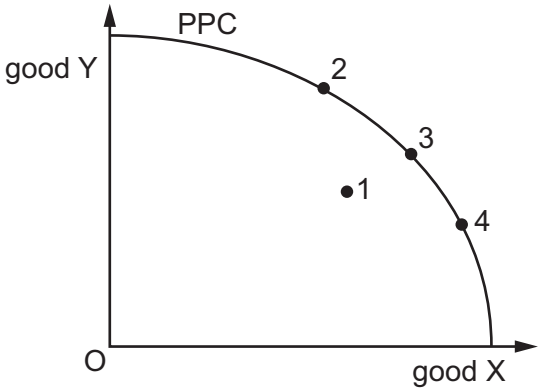
**A** the control of the market system

**B** the efficient allocation of scarce resources

**C** the preservation of a healthy environment

**D** the elimination of hunger

**2** Country Z operates with a production possibility curve (PPC). Currently, output is at combination 1.




Which movement has zero opportunity cost in terms of the goods produced?

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

**3** A country's health care is funded by taxation but can be used free of charge by patients.

Which type of good is health care in this country?

**A** demerit good

**B** free good

**C** private good

**D** public good

**4** What is **least** likely to increase as a result of a transition from a planned economy to a free market economy?

**A** prices of goods and services

**B** privately owned resources

**C** provision of merit goods

**D** structural unemployment

© UCLES 2023

GradeMax



**5** Which statement correctly describes the area of producer surplus on a demand and supply diagram?

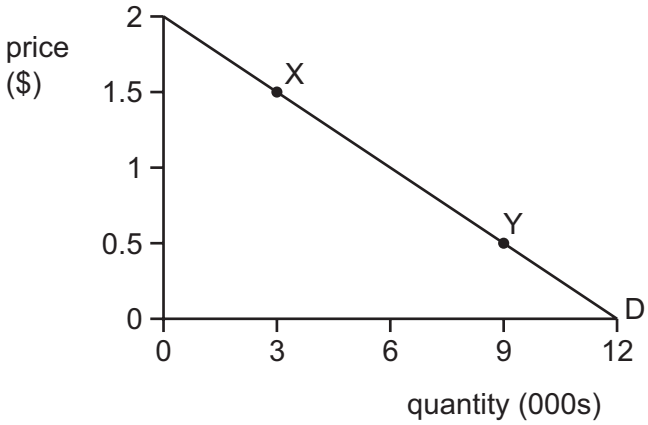
**A** It is above the supply curve and below the equilibrium price line.

**B** It is above the supply curve and below the demand curve.

**C** It is below the demand curve and above the equilibrium price line.

**D** It is below the supply curve and above the horizontal axis.

**6** The diagram shows a demand curve for pineapples.




What happens to the value of price elasticity of demand (PED) when there is a movement from point X to point Y and what describes the value of PED at point Y?

| | effect on value of PED | value of PED at Y |
|---|---|---|
| **A** | fall | elastic |
| **B** | fall | inelastic |
| **C** | rise | elastic |
| **D** | unchanged | unitary |

**7** In a free market, there is a surplus of a good.

Which change would cause the market to come to an equilibrium?

**A** a decrease in demand

**B** a fall in price

**C** a government minimum price

**D** an increase in supply

© UCLES 2023



**[Turn over**

GradeMax



**8** The cross-elasticity of demand between good P and good Q is –0.4.

The cross-elasticity of demand between good P and good R is +0.6.

Which combination of goods is most likely to be represented by this information?

| | good P | good Q | good R |
|---|---|---|---|
| **A** | cream | yoghurt | raspberry |
| **B** | yoghurt | strawberry | raspberry |
| **C** | strawberry | cream | raspberry |
| **D** | strawberry | raspberry | cream |

**9** The supply, S, of a product is determined by the equation

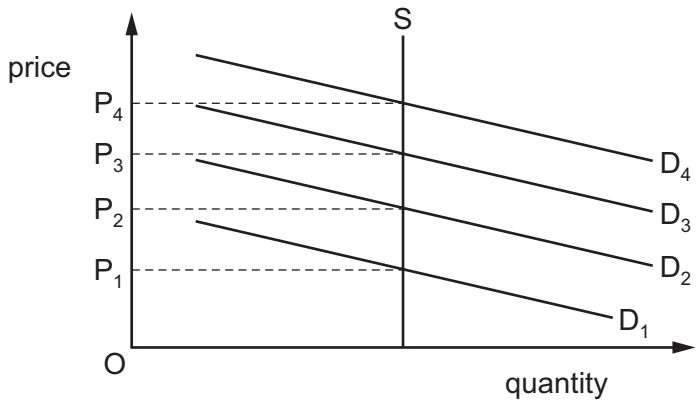
$$S = 10 + 10P$$

where P is the price of the product in $.

What is the product's price elasticity of supply when its price rises from $1 to $2?

**A** 0.5 **B** 1.0 **C** 2.0 **D** 5.0

**10** In the diagram, the supply curve shows the number of spaces in a car park and the demand curves show the demand for spaces on four different days, $D_1$, $D_2$, $D_3$ and $D_4$.




The owner wishes to charge a parking fee on each of these days to allocate the spaces according to the market mechanism.

Which pricing policy should the owner use?

**A** set a fixed price at $P_1$

**B** set a fixed price at $P_4$

**C** vary prices between $P_2$ and $P_3$

**D** vary prices between $P_1$ and $P_4$

© UCLES 2023

GradeMax



**11** The table shows the demand schedule for textbooks.

| price $ | quantity demanded |
|---|---|
| 50 | 0 |
| 40 | 100 |
| 30 | 200 |
| 20 | 300 |
| 10 | 400 |
| 0 | 500 |

What can be concluded from this information?

**A** Profit would be maximised at a price of $30.

**B** Profit would not change if the price rose from $20 to $30.

**C** Revenue would increase if the price was decreased from $40 to $30.

**D** Revenue would be maximised at a price of $40.

**12** Which event is most likely to enable firms to respond to an increase in demand by increasing supply rather than by raising price?

**A** Firms reduce their expenditure on the training of workers.

**B** Import duties are increased on machines that increase the speed of production.

**C** The government introduces buffer stock schemes for the goods produced by the firm.

**D** Trade unions become strong, leading to poor labour productivity.

© UCLES 2023

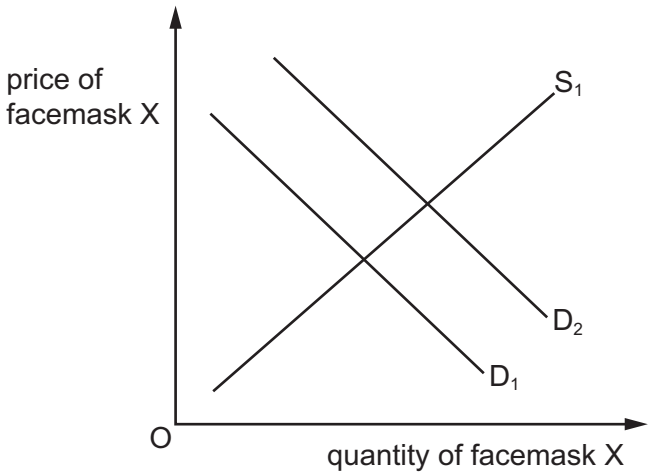


**[Turn over**

GradeMax



**13** In the diagram, $S_1$ is the supply curve and $D_1$ is the initial demand for facemask X. A rival firm produces facemask Y, which is a close substitute.




What would cause the demand curve to shift to $D_2$?

**A** a decrease in the costs of the materials to make facemask X

**B** a decrease in the costs of the materials to make facemask Y

**C** an increase in the price of facemask X

**D** an increase in the price of facemask Y

**14** A government introduces charges for vehicles using the roads in its capital city.

Which characteristic must the roads have for this to be successful in reducing congestion?

**A** The roads must be excludable.

**B** The roads must be merit goods.

**C** The roads must be non-rivalrous.

**D** The roads must be public goods.

© UCLES 2023

GradeMax



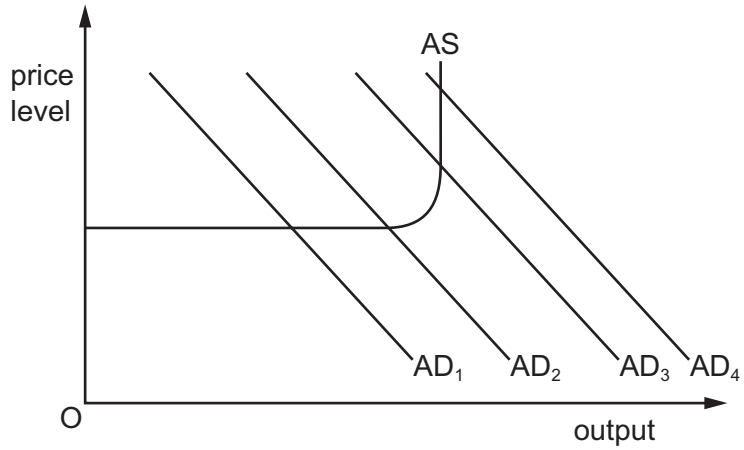
**15** The table shows the tax an individual would pay at different levels of income.

| annual income ($) | tax paid ($) |
|---|---|
| 20 000 | 1 000 |
| 30 000 | 3 000 |
| 40 000 | 6 000 |
| 50 000 | 8 000 |
| 60 000 | 12 000 |

What is the average rate of taxation and the marginal rate of taxation for an individual with an annual income of $50 000?

| | average rate of taxation % | marginal rate of taxation % |
|---|---|---|
| **A** | 15 | 16 |
| **B** | 16 | 20 |
| **C** | 16 | 28 |
| **D** | 20 | 20 |

**16** A government has increased output with no effect on the price level.




What must have been the initial level of aggregate demand (AD)?

**A** $AD_1$ **B** $AD_2$ **C** $AD_3$ **D** $AD_4$

© UCLES 2023

GradeMax



**17** What is **not** included in the measurement of national income?

**A** benefits paid to the unemployed

**B** dividends paid to shareholders

**C** profits retained by companies

**D** rent paid to landlords

**18** Four students have to fill in the gaps in the sentence shown.

'A person is defined as unemployed if they are .....1..... to work at .....2..... wage rate, but cannot find a job despite an active search for work.'

Which student fills gaps 1 and 2 correctly?

| | 1 | 2 |
|---|---|---|
| **A** | able | below the current |
| **B** | able | the current |
| **C** | able, available and willing | above the current |
| **D** | able, available and willing | the current |

**19** Which statement best describes the consumer prices index (CPI)?

**A** It is a measure of changes in the spending patterns of the average household.

**B** It is a measure of changes in the standard of living of the average household.

**C** It is a measure of the average change in prices of a basket of goods and services over time.

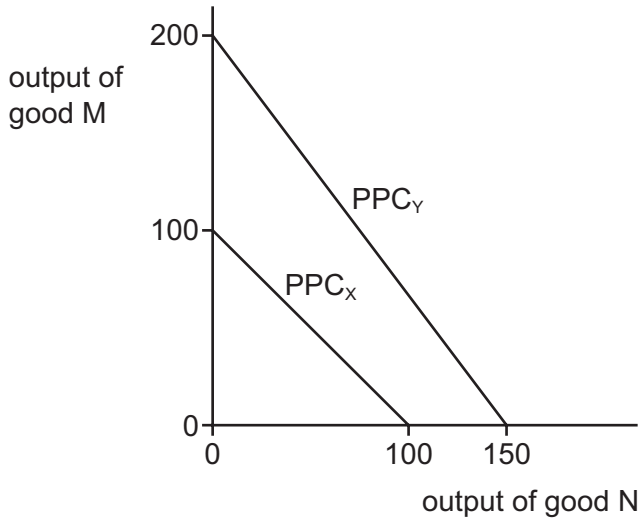
**D** It is a measure of the level of prices of all goods and services.

© UCLES 2023

GradeMax



**20** The diagram shows the production possibility curves (PPCs) for country X and country Y, the only two countries in the world. Both countries produce just two goods, M and N.




Under which terms of trade will **both** country X and country Y benefit from trading with each other?

**A** 1M for 0.75N

**B** 1M for 0.8N

**C** 1M for 1N

**D** 1M for 2N

**21** Why is increased government provision of education most likely to shift the aggregate demand curve to the right?

**A** It will increase aggregate supply.

**B** More schools will be built.

**C** The government will have to raise taxes.

**D** Workers will be more highly skilled.

**22** Which item is **not** included in the current account of a country's balance of payments?

**A** exports of services

**B** interest on foreign loans

**C** profits from foreign investments

**D** the purchase of foreign assets

© UCLES 2023



**[Turn over**

**23** Under which conditions will nominal GDP and real GDP increase at the same rate in an economy?

| | rate of change of national output (% per annum) | rate of change of general price level (% per annum) |
|---|---|---|
| **A** | 0 | –2 |
| **B** | 0 | +2 |
| **C** | +2 | 0 |
| **D** | +2 | +2 |

**24** General equilibrium in the macroeconomy is achieved when total injections are equal to total leakages.

What is most likely to cause disequilibrium in the macroeconomy in the short run?

**A** an increase in government spending of $10bn and a decrease in exports of $10bn

**B** an increase in investment of $30bn and a decrease in household savings of $30bn

**C** an increase in spending on imports of $40bn and an increase in government spending of $40bn

**D** an increase in taxation of $40bn and a decrease in spending on imports of $40bn

**25** What would be the most likely reason for a decrease in frictional unemployment?

**A** more capital-intensive manufacturing

**B** more demand for public sector workers

**C** more government spending on education

**D** more information on labour market vacancies

**26** A Kenyan banker who lives and works in India sends 15% of their wage back to Kenya every month.

What would be the change in the current account components for either country?

**A** a fall in secondary income for India

**B** an increase in the balance of trade in services for Kenya

**C** an increase in the current account surplus for India

**D** an increase in primary income for Kenya

© UCLES 2023

GradeMax



**27** Over a period of a year, the annual rate of inflation becomes negative.

Which statement must be correct?

**A** The cost of living has fallen.

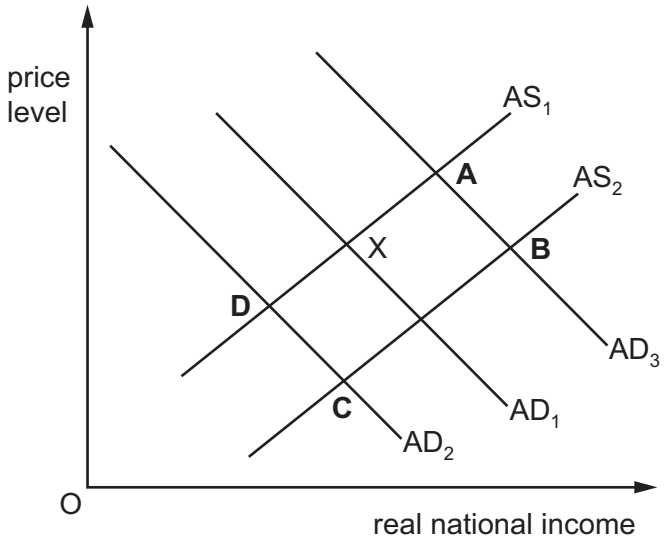
**B** The purchasing power of money has fallen.

**C** The standard of living has increased.

**D** There has been an increase in the Consumer Price Index.

**28** The government of a country plans to raise income tax rates. The initial equilibrium for the country is represented by point X on the diagram.

Which new equilibrium point would an economist predict as the result?




**29** Which combination would represent the most expansionary set of monetary policies?

| | credit availability | interest rates | money supply |
|---|---|---|---|
| **A** | increased | up | reduced |
| **B** | increased | down | increased |
| **C** | reduced | up | increased |
| **D** | reduced | down | reduced |

© UCLES 2023



**[Turn over**

GradeMax



**30** An economy is experiencing accelerating cost-push inflation.

Which group is likely to be **least** concerned by this?

**A** borrowers

**B** consumers

**C** creditors

**D** exporters

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.

© UCLES 2023