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Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/12**

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.

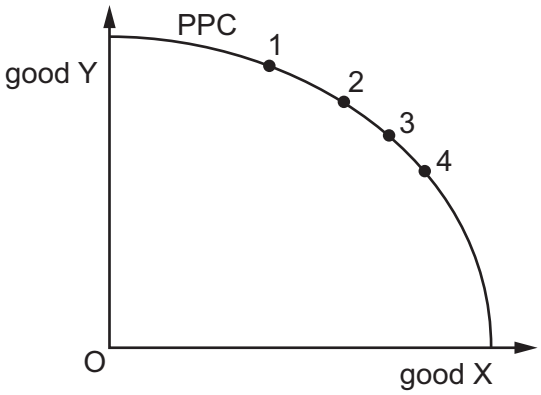
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1 PPC is the production possibility curve in country T.



Which changes take place in country T's opportunity costs of producing X as it increases production of X?

A Opportunity costs are constant between points 1 and 2, and between points 3 and 4.

B Opportunity costs decrease between points 1 and 2, and increase between points 3 and 4.

C Opportunity costs decrease between points 1 and 2, and between points 3 and 4.

D Opportunity costs increase between points 1 and 2, and between points 3 and 4.

2 What is considered the essential requirement for all entrepreneurs?

A attracting customers

B buying stock

C managing staff

D taking risks

3 A new section of a road is provided toll-free by the government.

What best describes this good?

A a demerit good

B a free good

C a private good

D a public good

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4 Eastern European nations have changed from planned to market economies.

Which policy was **least** likely to have been adopted?

A allowing prices to fluctuate

B keeping established economic organisations

C privatising essential industries

D permitting changes in the money supply

5 Rice and pasta are both basic foods in a country.

How would a health scare concerning rice affect the market for pasta?

A There will be a shift of demand and a contraction of supply.

B There will be a shift of demand and an extension of supply.

C There will be a shift of supply and a contraction of demand.

D There will be a shift of supply and an extension of demand.

6 Some goods are over-consumed in a market economy.

What is likely to be the cause of this?

A Consumer surplus exceeds producer surplus.

B Consumers undervalue the benefits of consuming the goods.

C There is excess supply in the market for the goods.

D There is imperfect information in the market.

7 A family is willing to pay a maximum of $600, $500 and $400 for air tickets for the mother, father and daughter to attend a wedding in another city. The airline announces a promotional air fare of $450 per ticket, provided at least three tickets are purchased.

What will be the consumer surplus gained by the family if they use the promotional offer?

A $100 **B** $150 **C** $200 **D** $250

8 After a 10% decrease in a consumer's income, the consumer's demand for a good rises from 100 to 105.

What is the value of the consumer's income elasticity of demand for this good?

A –2.0 **B** –0.5 **C** +0.5 **D** +2.0

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9 In 2010, poor harvests reduced fruit crops and furniture producers gave big discounts on furniture products.

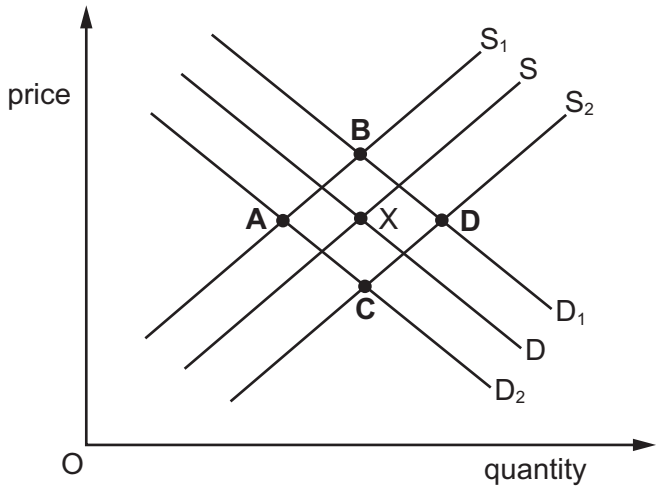
How might these changes have affected the position of the supply curve for the products?

	fruit	furniture producers
A	no change	shift to the left
B	shift to the left	no change
C	shift to the left	shift to the left
D	shift to the right	no change

10 In the diagram, D and S represent the demand for and supply of smartphones. Many components used in the production of smartphones are imported. The initial equilibrium is at point X.

The exchange rate has depreciated at the same time as the price of a complementary good decreased.

Which point in the diagram could represent the new equilibrium?



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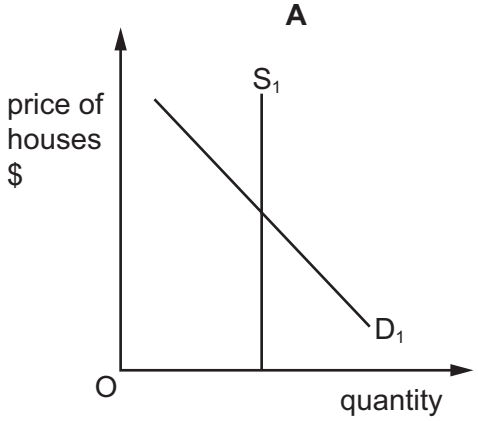
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11 The diagrams show the demand for and the supply of houses.

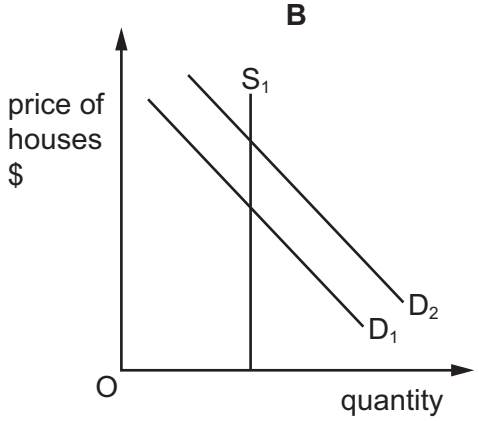
In the short run, the stock of houses for sale, S_1, is fixed. A government decides to allow some agricultural land to be used for building houses and subsidises lower-income buyers of the new houses.

Which diagram shows the long-run situation?

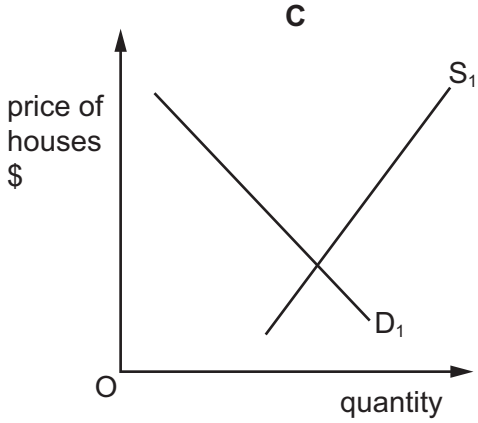
A



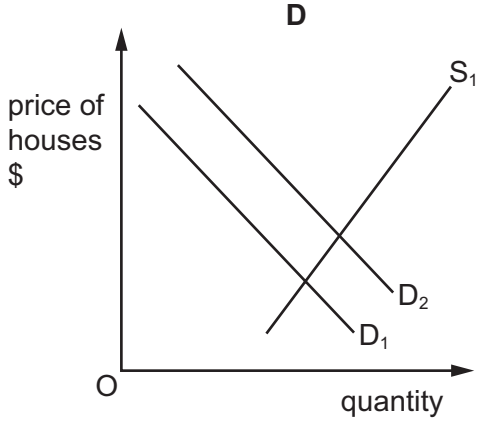
B



C



D



12 The equation for the quantity demanded, Q_D, for a product is

$$Q_D = 400 - 20P$$

where P = price in $. The quantity supplied, Q_S, is given by $Q_S = 100 + 40P$.

Which change will occur if the price rises from $5 to $6?

A The market will move from equilibrium to shortage.

B The market will move from equilibrium to surplus.

C The market will move from shortage to surplus.

D The market will move from surplus to shortage.

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13 What is the most likely cause of the continuous increase in prices of famous paintings by now dead artists?

A the increasing technological ability to copy famous paintings perfectly

B the popular view that famous paintings are an appreciating asset

C the totally inelastic supply of famous paintings by dead artists

D the wish of governments to treat art galleries as merit goods

14 What is most likely to be regressive?

A corporate profit taxes

B state pension benefits

C specific tax on cigarettes

D unemployment benefits

15 What is necessary for an action to be classed as a transfer payment?

A It must include a cash payment.

B It must involve a banking transaction.

C It must originate from government activity.

D It must relate to a non-productive activity.

16 The government imposes a specific indirect tax of $1 on each unit of a good sold.

How does the imposition of the tax shift the demand or supply curve of the good?

A The demand curve of the good will shift vertically downwards by $1.

B The demand curve of the good will shift vertically upwards by $1.

C The supply curve of the good will shift vertically downwards by $1.

D The supply curve of the good will shift vertically upwards by $1.

17 Which term relates to a fall in the domestic real value of a currency?

A deflation

B depreciation

C appreciation

D inflation

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18 What must be the result for a country of a rise in its export prices relative to its import prices?

A a deficit in its trade in goods

B an improvement in its terms of trade

C an increase in its inflation rate

D a rise in its exchange rate

19 Country X can produce a product at a lower opportunity cost than country Y.

Which term best describes this statement?

A absolute advantage

B comparative advantage

C specialisation

D terms of trade

20 For a given year, economy X publishes the following.

	$bn
Gross Domestic Product (GDP)	100
factor income earned by residents of economy X working in foreign countries	10
factor income earned in economy X by non-residents	25

What is the size of the Gross National Income (GNI) for country X?

A $75bn **B** $85bn **C** $110bn **D** $115bn

21 Which combination is possible for an economy experiencing zero inflation?

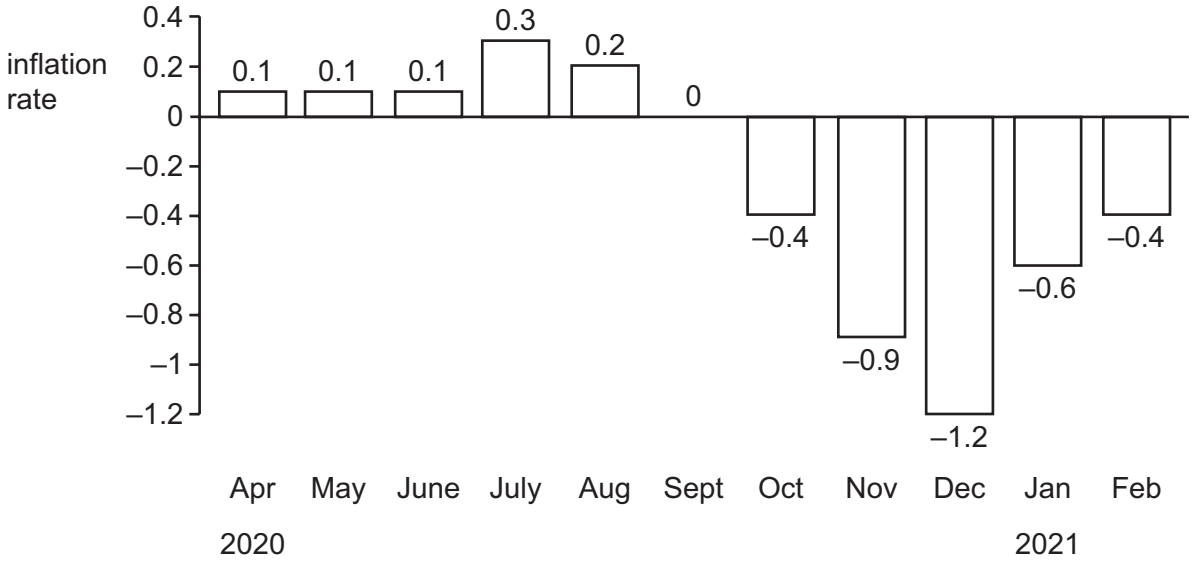
	average nominal wages	average real wages
A	falling	falling
B	falling	rising
C	rising	falling
D	unchanging	rising

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22 The graph shows the rate of inflation in Japan from April 2020 to February 2021.



Over which period did disinflation occur in Japan?

A July 2020 to February 2021

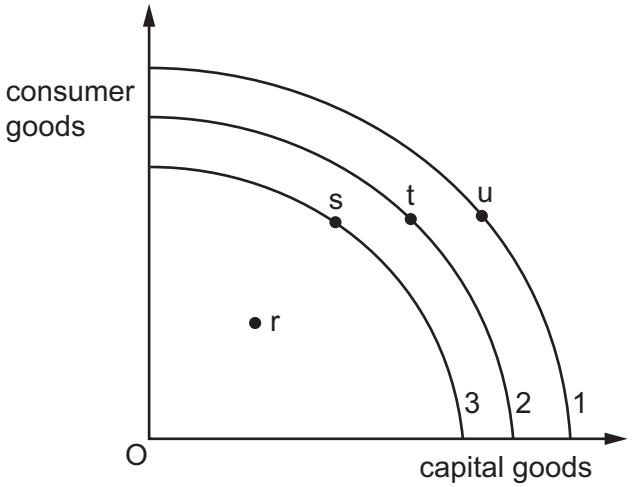
B July 2020 to September 2020

C October 2020 to December 2020

D October 2020 to February 2021

23 The diagram shows three production possibility curves (PPC) for a country, labelled 3, 2 and 1. The original PPC for the country is 2.

This country experiences a fall in its working population and then this is followed by a long period of recession.



If an increase in GDP then takes place, what is the increase in production?

A r to s **B** r to u **C** s to t **D** t to u

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24 A government increases the rate of income tax.

What is the effect, in the short run, on the aggregate demand curve or the aggregate supply curve?

A The aggregate demand curve shifts left.

B The aggregate demand curve shifts right.

C The aggregate supply curve shifts left.

D The aggregate supply curve shifts right.

25 A country's current account deficit is larger this year than last.

What is the most likely reason for this increase?

A Demand for domestically produced goods has risen.

B Domestic inflation has risen faster than the inflation of its major trading partners.

C Domestic unemployment has risen.

D The exchange rate has depreciated.

26 Which supply-side measure is most likely to produce short-run growth in a country's aggregate supply?

A easing of controls on immigration of workers

B expenditure on primary education

C expenditure on research and development

D privatisation of public utilities

27 Which tax may a government use to reduce inequality?

A progressive income tax

B proportionate income tax

C proportionate indirect tax

D specific indirect tax

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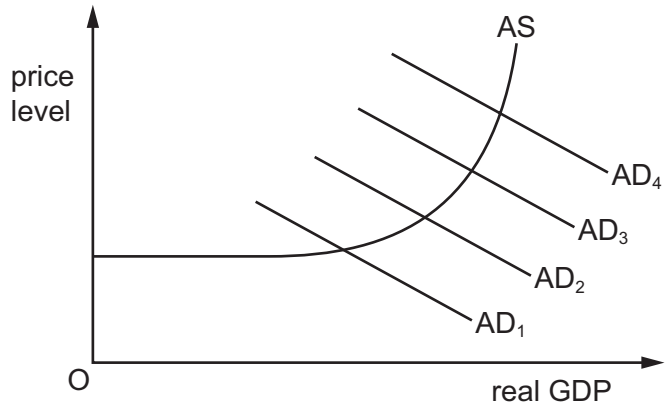
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28 A foreign government pays a UK university to educate its students.

How would this be recorded on the balance of payments current account of the UK?

	current account component	money flows
A	secondary income	inflow
B	secondary income	outflow
C	trade in services	inflow
D	trade in services	outflow

29 A government wants to reduce inflation. It has decided to cut government spending by $1bn. The diagram shows different starting positions for the country's aggregate demand (AD) curve.



Which starting position for the aggregate demand curve would make this policy **least** effective?

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

30 A government reduces the rate of tax firms are charged on their land and buildings.

How is this likely to affect the economy's price level and real output?

	price level	real output
A	fall	fall
B	fall	rise
C	rise	fall
D	rise	rise

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