Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/32**

Paper 3 A Level Multiple Choice **May/June 2024**

1 hour 15 minutes

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. Any blank pages are indicated.

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1 The table shows the total utility gained by a consumer from the consumption of water.

quantity consumed / bottles	total utility
0	0
1	30
2	40
3	48
4	54
5	58

What can be concluded from this table?

A Marginal utility increases as consumption increases.

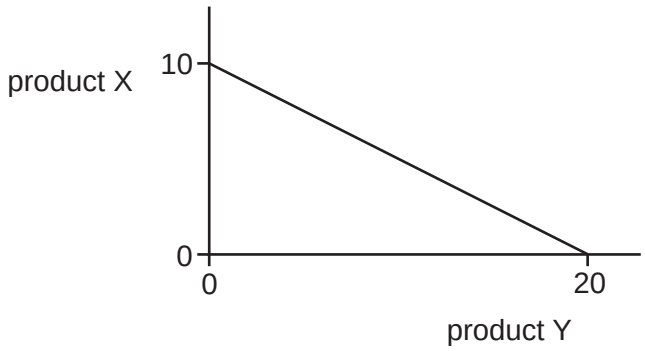
B The consumer cannot switch expenditure to another product to increase total utility.

C The marginal utility of the 3rd unit is 8.

D The marginal utility of the 5th unit is 2.

2 A consumer has $100 to spend on two products, X and Y.

The budget line shows the different possible combinations of products X and Y that can be purchased when all the consumer's income is spent.



If the price of product Y increases to $10, what will be the maximum number of units of product X and product Y that the consumer can now purchase?

	product X	product Y
A	5	10
B	5	20
C	10	10
D	20	10

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3 Which combination of costs and benefits will lead to an increase in net social costs?

	private benefits	external benefits	private costs	external costs
A	falls	falls	no change	no change
B	no change	increases	falls	no change
C	no change	increases	falls	falls
D	increases	increases	no change	falls

4 A firm increases its output, starting from zero.

How will this affect its short-run marginal cost (MC), average total cost (ATC) and average fixed cost (AFC)?

	MC	ATC	AFC
A	fall then rise	fall then rise	fall
B	fall then rise	rise then fall	rise
C	rise then fall	fall then rise	fall
D	rise then fall	rise then fall	rise

5 Assuming the absence of price controls, in which industry is an individual firm least likely to be able to alter the price at which it sells its product?

A air transportation

B hairdressing

C steel production

D wheat farming

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6 A firm has the choice between five levels of output. The table shows the total cost and total revenue of producing at each output level. The firm could sell whatever output it produces.

output units	total cost $	total revenue $
1000	8 000	10 000
2000	12 000	18 000
3000	19 000	24 000
4000	23 000	28 000
5000	25 000	25 000

The firm decides to produce 4000 units.

What is the firm's aim?

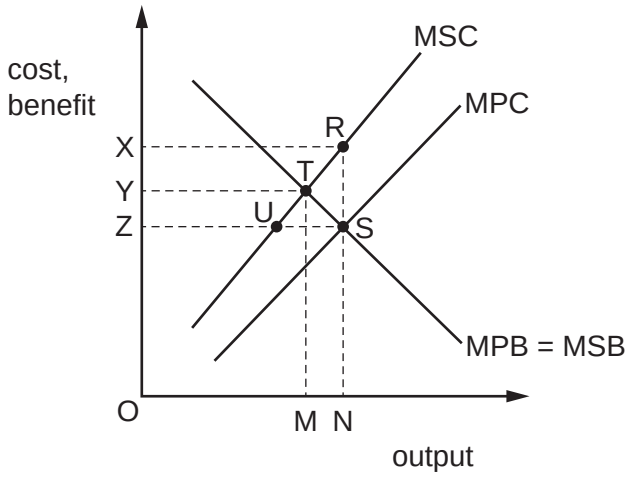
A to maximise profit

B to maximise sales

C to maximise revenue

D to minimise average costs

7 The diagram shows the costs and benefits of producing steel in a free market.



Which area measures the deadweight loss of economic welfare?

A RTS **B** RUS **C** TUS **D** YTUS

8 What is likely to make it more difficult for a small firm to survive?

A increased preference on the part of consumers for distinctive non-standardised products

B reductions in the rate of interest charged by commercial banks

C the absence of effective barriers to the entry of potential competitors

D the existence of decreasing returns to scale

9 A market structure in which a small number of firms face competition from potential entrants.

What does this describe?

A a contestable market

B a monopoly

C monopolistic competition

D perfect competition

10 What is an example of backward vertical integration?

A a bakery buying a wheat farm

B a car manufacturer buying a car showroom

C a vineyard buying an apple orchard

D two rival supermarkets joining together

11 A government wants to introduce a policy that will reduce the pollution caused by the production of a good.

Which policy would **not** make use of market forces?

A a quota to limit the production of the good

B a regulation to ban the production of the good

C a tax on the production of the good

D a tradable pollution permit system for producers of the good

12 The table shows the annual percentage change in the output per worker employed for four nationalised industries before and after privatisation.

nationalised industry	before privatisation %	after privatisation %
railways	–4	2
electricity supply	7	9
shipbuilding	4	–1
telecommunications	6	6

What can be concluded about the effect of privatisation?

A Employment fell in the railway industry.

B Employment was unchanged in the telecommunications industry.

C Output was greatest in the electricity supply industry.

D Workers became less efficient in the shipbuilding industry.

13 Most workers in a country are employed in the manufacturing sector where they are paid a fixed wage rate per hour.

What will lead to an increase in the net advantage of workers currently employed in the manufacturing sector?

A a reduction in working hours available

B a shift in the country's economy to the service sector

C a subsidised lunch is made available

D an increase in the number of jobs available

14 When will a profit-maximising firm employ the optimum number of workers?

A when the average revenue product of labour equals the average cost of hiring workers

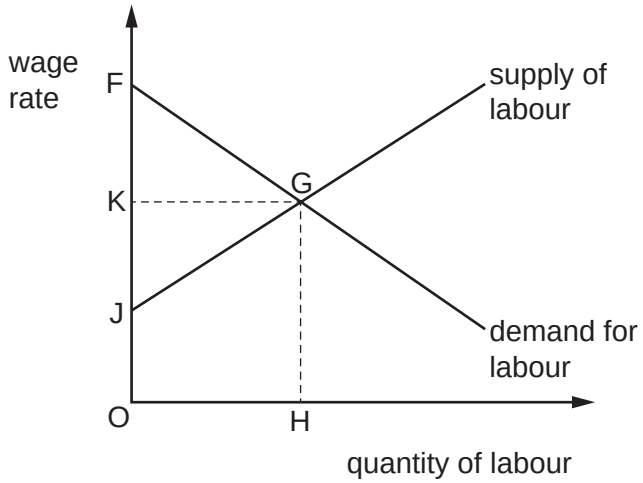
B when the marginal revenue product of labour equals the average cost of hiring workers

C when the marginal revenue product of labour equals the marginal cost of hiring workers

D when the marginal revenue product of labour equals the trade union supplied cost of workers

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15 The diagram shows the labour market for farm workers in New Zealand.



Which areas represent the economic rent and transfer earnings of the farm workers?

	economic rent	transfer earnings
A	GFK	GHOJ
B	GHOJ	GJK
C	GJK	GJF
D	GJK	GHOJ

16 What is **not** a function of a commercial bank?

A to help firms raise finance

B to hold cash on deposit for firms

C to lend money to households

D to provide savings accounts

17 In 2020 in a country, the unemployment rate of the 16–64 age group seeking work was 4.0%.

The employment rate for this group in the same period was 76.6%.

What can be concluded from this?

A 19.4% of the economy is working illegally.

B 23.4% of the age group is economically inactive.

C 80.6% of the age group is economically active.

D The data is inaccurate.

18 Which statement relating to unemployment benefits provided by a government is **not** valid?

A They allow firms to dismiss workers as unemployment benefits provide support to unemployed workers.

B They force firms to raise wages to encourage workers to work rather than relying on unemployment benefits.

C They provide a safety net to workers which might reduce their efforts to find a suitable job.

D They increase government spending and force it to raise taxes.

19 Country X has a marginal propensity to consume (MPC) of 0.7. Its marginal propensity to save (MPS), marginal rate of taxation (MRT) and marginal propensity to import (MPM) are each 0.1.

What is likely to lead to the biggest increase in the national income multiplier?

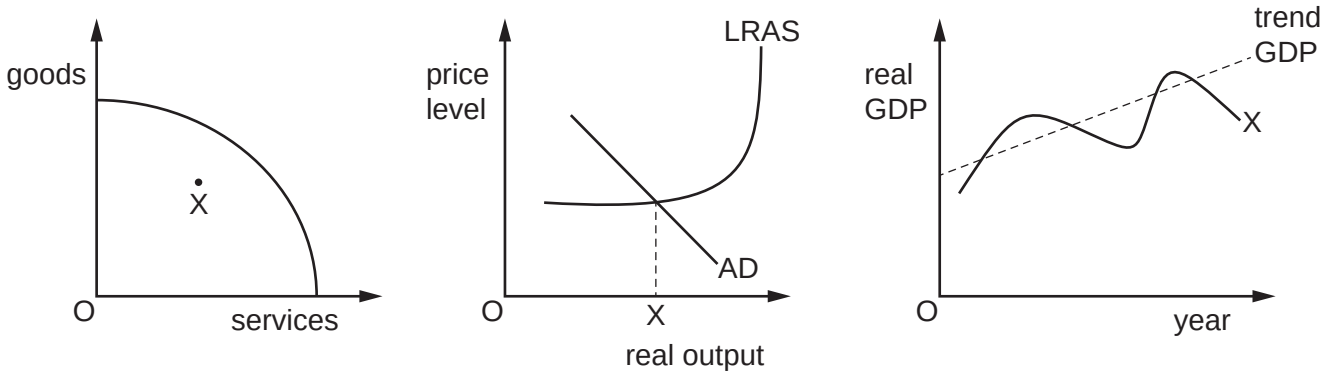
A a 5% increase in the MPC together with a 5% fall in the MRT

B a 5% increase in the MPM together with a 5% fall in the MRT

C a 5% increase in the MPS together with a 5% fall in the MPM

D a 5% increase in the MRT together with a 5% fall in the MPS

20 The diagrams show the performance of an economy using different measures.



If an economy is currently at point X on each diagram, what is the most likely conclusion that can be made based on this evidence?

A Prices will increase significantly as the economy grows in the near future.

B Supply-side policies would be the best option to encourage economic growth.

C The economy is currently experiencing a deflationary gap.

D There are shortages of skilled labour throughout the economy.

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21 Which row correctly identifies the characteristics of an economy experiencing the liquidity trap?

	rate of economic growth	rate of inflation	rate of interest
A	high	high	low
B	low	high	low
C	low	low	low
D	low	low	high

22 Which combination of policies would be most likely to bring a country out of recession?

A expansionary fiscal and monetary policy as well as supply-side policies

B expansionary fiscal policy and tight monetary policy

C tight fiscal and monetary policy

D supply-side policies alone

23 The inflation rate in a country increased.

Which effect would this most likely have on the country's balance of payments?

A an improvement in the current account balance

B an increase in price competitiveness

C an increase in export revenue

D an increase in import expenditure

24 A government uses monetary policy and fiscal policy to solve a problem of deflation.

Which policy combination is likely to be the most successful?

	monetary policy	fiscal policy
A	increasing interest rates	contractionary
B	increasing interest rates	expansionary
C	reducing interest rates	contractionary
D	reducing interest rates	expansionary

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25 The table shows indicators for the macroeconomies of two South American countries over one year. During this year, both governments attempted to reduce unemployment by expanding aggregate demand.

country	GDP % change	current account balance % of GDP	change in currency units against US dollar
Argentina	17.9	1.7	–18.9
Chile	17.2	–1.8	–13.3

Based on the information given, what is the most likely reason why Argentina achieved a higher % change in the unemployment rate than Chile?

A Argentina had a greater % change in GDP growth.

B Chile's performance on the current account balance was worse.

C Each country had a weak exchange rate against the US dollar.

D Wage increases in each country were linked to their respective rates of inflation.

26 A measure encourages consumers to change spending on imports to spending on domestically produced goods.

What does this describe?

A an expenditure-reducing policy

B an expenditure-switching policy

C the law of comparative advantage

D the Marshall–Lerner condition

27 The macroeconomic objective of a government is to move the current account of the balance of payments from deficit to surplus. To achieve this, it devalues the currency.

Under which condition would a devaluation of the currency achieve this objective?

A if the combined price elasticity of demand for exports and imports is greater than 1

B if the combined price elasticity of demand for exports and imports is less than 1

C if the income elasticity of demand is less than 1

D if other countries decide to impose tariffs on all imported goods and services

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28 A multinational company (MNC) buys a manufacturing firm in a developing country that produces goods for the developing country's domestic consumers. The MNC then exports machinery and raw materials that it needs to the developing country.

What is the most likely consequence of this foreign direct investment (FDI) by the MNC on the balance of payments of the developing country?

	current account	financial account
A	improves	improves
B	improves	worsens
C	worsens	improves
D	worsens	worsens

29 The table gives information about the population of three countries in a given year.

	birth rate per 1000	death rate per 1000	infant mortality rate per 1000	% of population under 16
Singapore	12	4	5	18
Hong Kong	15	6	8	20
China	20	9	28	38

Which conclusion can be drawn about the countries in the table in that year?

A China had the highest percentage of children who died in infancy.

B People in Hong Kong lived the longest.

C Singapore had the largest number of people aged over 16.

D The population of Singapore was expected to fall in the next five years.

30 During a certain period, a country with a constant population expands its output per head. It also experiences a significant increase in river and atmospheric pollution.

In the absence of any other changes, which measure would show a decrease in living standards?

A Gross Domestic Product per head

B Gross National Product per head

C Human Development Index

D Measure of Economic Welfare

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