

# ECONOMICS

Paper 3178/12  
Multiple Choice 12

Question Number	Key	Question Number	Key	Question Number	Key
1	C	11	D	21	A
2	D	12	B	22	B
3	B	13	A	23	B
4	C	14	C	24	B
5	D	15	A	25	B
6	D	16	A	26	B
7	D	17	A	27	A
8	D	18	C	28	A
9	A	19	B	29	A
10	D	20	D	30	C

## General comments

The questions for which most candidates selected the correct answer were **1, 8, 9, 12, 14, 15, 20, 25** and **27**. These questions were answered correctly by 80 per cent or more of the candidates. They covered different parts of the syllabus and were set to test different skills.

The questions for which the fewest candidates selected the correct answer were **2, 7, 13, 21** and **22**. These questions were answered correctly by fewer than 40 per cent of the candidates.

## Comments on specific questions

### Question 2

**Question 2** was answered correctly by 30 per cent of the candidates who chose option **D**. 12 per cent chose option **A**, 12 per cent chose option **B** and 46 per cent chose option **C**. As a result of the increase in demand, the suppliers needed extra warehouses and extra staff to deliver the goods to the customers. Thus, the capital and the labour required by the suppliers increased. (Option **D**).

### Question 7

**Question 7** was answered correctly by 22 per cent of the candidates who chose option **D**. 6 per cent chose option **A**, 10 per cent chose option **B** and 62 per cent chose option **C**. When the price elasticity of demand is perfectly inelastic, the demand does not change when prices rise. Total spending on the product would, therefore, increase when prices rise. Those who chose option **C**, which states that spending remains unchanged, may well have been confusing perfectly inelasticity with unitary elasticity.

### Question 13

**Question 13** was answered correctly by 34 per cent of the candidates who chose option **A**. 43 per cent chose option **B**, 14 per cent chose option **C** and 9 per cent chose option **D**. When there is a recession, unemployment will increase and, if there is uncertainty about a recovery in the economy, overall spending is likely to decrease. Those who become unemployed will not have the same income as before so will spend less, while some of those who are employed may be concerned about the possibility of becoming unemployed and restrict their spending. Those who are employed, but do not worry about the possibility of becoming unemployed, are also likely to spend less as prices are falling and they expect prices to fall further. Thus, the choice is between option **A** and option **B**. It is also likely that borrowing will decrease. (Option **A**). Firms will not wish to invest as demand has decreased in the recession, and consumers will not wish to commit to major purchases because of the uncertainty.

### Question 21

**Question 21** was answered correctly by 27 per cent of the candidates who chose option **A**. 9 per cent chose option **B**, 46 per cent chose option **C** and 18 per cent chose option **D**. An increase in international competitiveness (option **C**) for an economy is likely to mean that consumers prefer the products of the economy, perhaps they are of a better quality or cheaper than those of competitors. This would increase the demand and would lead to a fall, not a rise, in unemployment.

### Question 22

**Question 22** was answered correctly by 38 per cent of the candidates who chose option **B**. 19 per cent chose option **A**, 33 per cent chose option **C** and 10 per cent chose option **D**. When there is inflation, the real value of money falls. Thus option **B** which states that there is a rise in the value of money is not a consequence of inflation.

