CAMBRIDGE
International Education

Cambridge International AS & A Level

ECONOMICS **9708/11**

Paper 1 AS Multiple Choice **May/June 2026**

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)

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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 or tape.
- 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 What is an example of a want rather than a need?

A clothing

B food

C holiday

D water

2 Which combination would occur for a demerit good?

	impact on the consumer	amount consumed
A	negative	over-consumed
B	negative	under-consumed
C	positive	over-consumed
D	positive	under-consumed

3 A school leaver decides to study for a degree in accountancy at university rather than take a job as a trainee accountant.

What will increase the opportunity cost of this decision?

A A rise in students failing to complete accountancy degree courses.

B A rise in the hours worked by trainee accountants.

C A rise in the university tuition fees for accountancy degree courses.

D A rise in the wage rate for trainee accountants.

4 Which statement is normative?

A A minimum wage is the correct government policy to increase the incomes of the lowest paid workers.

B A minimum wage is the lowest amount that employers can legally pay their workers.

C In Pakistan, a minimum wage of 15 000 Pakistani rupees per month was set on 1 June 2016.

D Setting the minimum wage rate above the equilibrium will result in an excess supply of workers.

5 What will always increase when the production possibility curve (PPC) shifts outwards?

A employment

B exports

C output

D productive capacity

6 What describes a market supply curve?

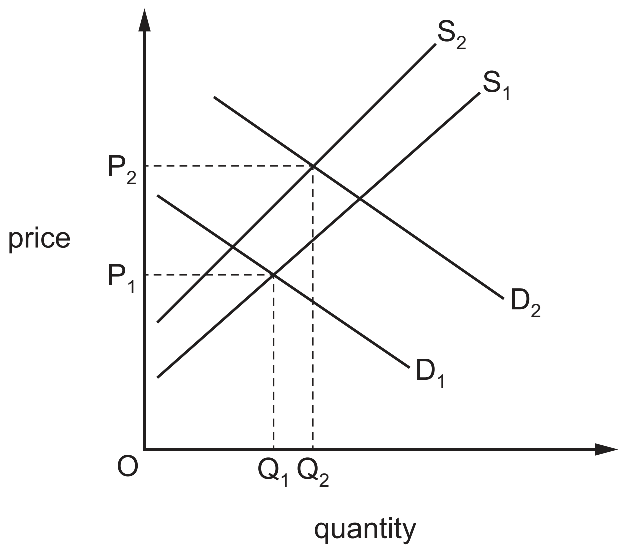
A It is downward sloping.

B It is the same as the aggregate supply curve.

C It is the sum of all firms' supply curves for a product.

D It is the supply of all products within an economy.

7 The diagram shows the demand and supply curves of a normal good (X). Q_1P_1 is the initial equilibrium.



Other things being equal, what may cause the change in the market equilibrium to Q_2P_2?

A a fall in household incomes and an increase in interest rates

B a rise in workers' real wages in all sectors of the economy

C an increase in income tax and a rise in the specific tax levied on X

D an increase in the price of a substitute product for X and a fall in the costs of producing X

8 Which statement defines the income elasticity of demand?

A It measures the responsiveness of income to a change in quantity demanded.

B It measures the responsiveness of income to a change in price.

C It measures the responsiveness of quantity demanded to a change in income.

D It measures the responsiveness of quantity demanded to a change in price.

9 What is **not** a factor affecting price elasticity of supply?

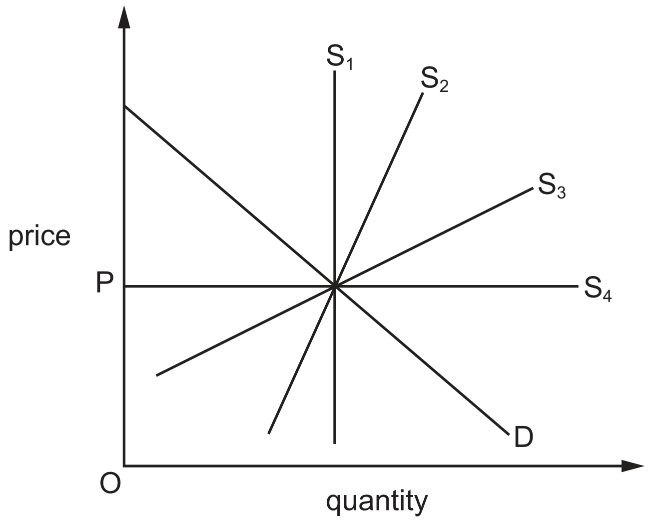
A level of spare capacity

B price of complementary products

C resources available

D time period over which elasticity is measured

10 The diagram shows the market for a good that has an initial equilibrium price P.



The demand for the good increases by a fixed quantity at every price.

Which supply curve will leave the value of the consumer surplus unchanged?

A S_1 **B** S_2 **C** S_3 **D** S_4

11 Doctors are concerned about the negative health effects of sugary drinks.

When would a tax on sugary drinks be **least** effective in improving health?

A when the demand for sugary drinks is income elastic

B when the demand for sugary drinks is income inelastic

C when the demand for sugary drinks is price elastic

D when the demand for sugary drinks is price inelastic

12 Which item would be included in the calculation of a person's wealth?

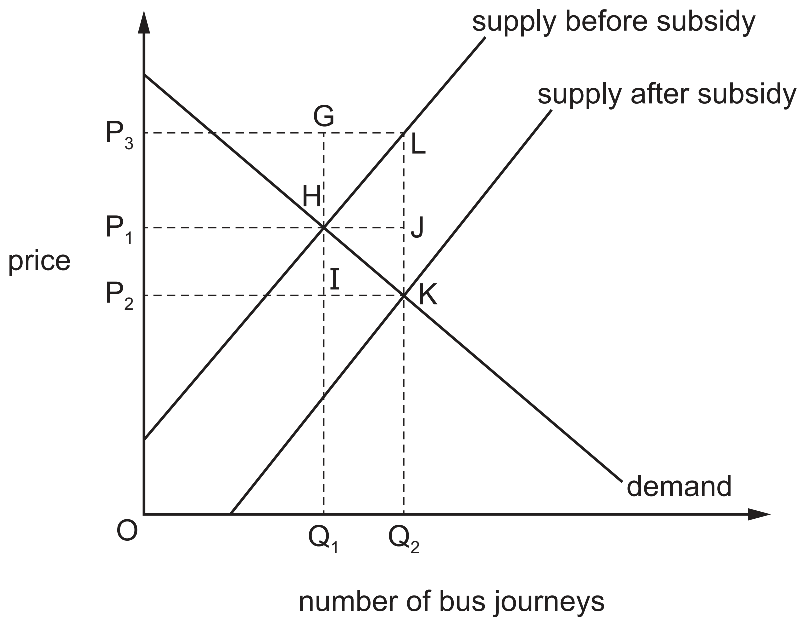
A the dividend on shares owned by the person

B the interest on the person's savings account

C the value of the house owned by the person

D the wages paid for the person's work

13 The diagram shows the market for bus services before and after a government subsidy.



Which area on the diagram shows the incidence of the subsidy for the consumer?

A P_1HIP_2 **B** P_1JKP_2 **C** P_2IGP_3 **D** P_2KLP_3

14 What is **not** a reason for government intervention in a market economy?

A discouraging the consumption of demerit goods

B overcoming information failure

C raising the provision of merit goods

D reducing competition in the economy

15 The market for good X is in equilibrium with 1000 units sold at a price of $10. The government puts a specific tax of $1 per unit on the producers of good X.

Which value for the price elasticity of demand for good X will generate the largest tax revenue?

A 0 **B** 0.5 **C** 1.0 **D** 1.5

16 Which adjustments are needed to change Gross Domestic Product (GDP) at basic prices to GDP at market prices?

	indirect taxes	**subsidies**
A	add	add
B	add	subtract
C	subtract	add
D	subtract	subtract

17 Nominal GDP of a country at current market prices was $1000bn in year 1. In year 2, its nominal GDP had risen to $1050bn.

What happened to real GDP if the general price level had increased by 10% over the same period?

A Real GDP decreased by approximately 5%.

B Real GDP decreased by approximately 10%.

C Real GDP increased by approximately 5%.

D Real GDP increased by approximately 10%.

18 What would be an injection into the circular flow of income?

A an increase in imports

B an increase in investment

C an increase in savings

D an increase in taxation

19 In which situation would an increase in consumption **not** cause an increase in real GDP?

A the current rate of GDP growth is less than the country's target rate

B the economy is experiencing low rates of inflation

C the economy is in recession

D the economy is operating at full capacity

20 The UK inflation rate as measured by the Consumer Price Index (CPI) was 5.2% in September 2011. In June 2014, the UK inflation rate as measured by the CPI was 1.6%.

What can be concluded about the period September 2011 to June 2014?

A Fixed income earners had increased purchasing power.

B Prices were falling.

C The rate of price increases was slowing.

D The real rate of interest became positive.

21 The table shows government revenue and expenditure of four countries as a percentage of GDP in 2000 and 2010.

Which country moved from a budget deficit position in 2000 to a budget surplus in 2010?

		revenue (% of GDP)		**expenditure (% of GDP)**	
		2000	**2010**	**2000**	**2010**
A	France	50.2	49.5	51.7	56.6
B	Norway	57.7	56.7	42.3	45.5
C	Sweden	58.7	52.4	55.1	52.5
D	Switzerland	35.2	34.0	35.6	33.8

22 Some countries experienced a recent decline in investment spending.

What might be done to stop such a decline?

A increase quotas on imports

B lower interest rates

C raise income tax

D set up training courses

23 What is a reason for a government policy that aims at achieving a low and stable rate of inflation?

A Consumers are encouraged to increase spending on imports.

B Firms are encouraged to increase the level of production.

C The central bank is encouraged to increase the interest rate.

D The government is encouraged to increase the rate of income tax.

24 What is an objective of supply-side policy?

A to shift the short-run aggregate supply (SRAS) curve to the left

B to shift the short-run aggregate supply (SRAS) curve to the right

C to shift the long-run aggregate supply (LRAS) curve to the left

D to shift the long-run aggregate supply (LRAS) curve to the right

25 What is most likely to improve the effectiveness of an expansionary fiscal policy in an economy?

A a fall in consumer confidence

B a fall in the size of the labour force

C an increase in interest rates

D an increase in the money supply

26 Which measure would **not** be part of a government subsidy to protect domestic producers from competition?

A import quotas

B interest-free loans provided by the government

C reductions in profits (business) taxes

D financial help given to local firms

27 The table shows different possible outputs of apples and bananas for country X and country Y assuming only two goods are produced and all resources are used to their maximum.

	apples		**bananas**
country X	100	or	80
country Y	50	or	25

Country Y decides to specialise in the production of the good in which it has a comparative advantage.

Country X decides to use 75% of its resources to produce the good in which it has a comparative advantage and 25% of its resources to produce the other good.

What will be the total output?

	apples	**bananas**
A	50	80
B	75	45
C	75	60
D	150	120

28 Why may a government introduce a floating exchange rate?

A it allows government more independence in policy making

B it eliminates the instability of free markets

C it gives firms more confidence in future costs and prices

D it increases foreign exchange reserves

29 The table shows an extract from a country's balance of payments.

	credits ($bn)	**debits ($bn)**
trade in goods	250	300
trade in services	80	40
primary income	100	60
secondary income	20	25

What is the current account balance?

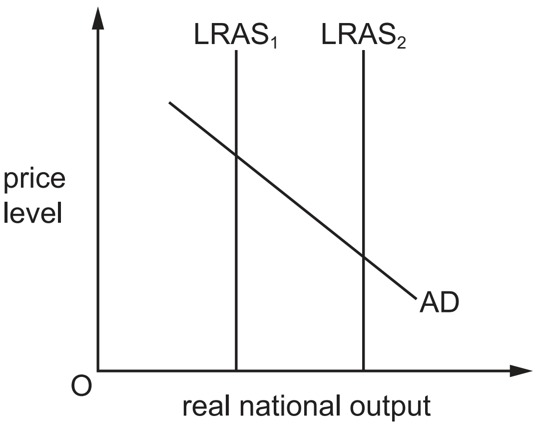
A deficit of $10bn

B deficit of $50bn

C surplus of $25bn

D surplus of $30bn

30 The diagram shows the aggregate demand (AD) curve and two long-run aggregate supply (LRAS) curves for an economy.



The government has reduced spending on welfare payments and increased spending on training for employment, so causing the shift from $LRAS_1$ to $LRAS_2$.

What is most likely to happen as a result of this policy?

A An improvement in the current account of the balance of payments.

B An increase in inflation.

C An increase in the budget deficit.

D An increase in unemployment.

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