# Cambridge International AS & A Level

**ECONOMICS** **9708/13**

Paper 1 AS Level 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.



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[Turn over

1 What are the basic questions of resource allocation?

**A** What to produce, how to produce and for whom to produce?

**B** What to produce, where to produce and for whom to produce?

**C** Where to produce, for whom to produce and how to produce?

**D** Where to produce, what to produce and how to produce?

2 Which combination correctly identifies whether the statements are normative or positive?

| | **the rate of inflation is measured using a price index** | **a rise in unemployment is preferable to inflation** | **the inflation rate of 9% in 2025 was the highest it has been in 10 years** |
|---|---|---|---|
| **A** | normative | normative | positive |
| **B** | positive | positive | normative |
| **C** | normative | positive | normative |
| **D** | positive | normative | positive |

3 The diagram shows a production possibility curve (PPC) for capital goods and consumer goods.


What is correct about the opportunity cost of one additional capital good?

**A** It is greater at X than Y.

**B** It is greater at Z than Y.

**C** It is the same at X, Y and Z.

**D** It is zero when 600 units of consumer goods are produced.

4 What justifies government intervention in the provision of a merit good such as education?

**A** People who pay for education value it more than those who cannot pay.

**B** Private schools have more merit than state schools.

**C** Costs of providing education outweigh benefits of education.

**D** Some consumers do **not** fully recognise the value of education.

5 What would most likely be considered an advantage by producers and a disadvantage by consumers of the operation of a planned economy?

**A** a bureaucratic system of decision-making

**B** a government emphasis on the production of capital goods

**C** a long response time to changing economic events

**D** an absence of financial incentives to work and to produce

6 What would **not** affect the position of the demand curve for wigs?

**A** an increase in incomes

**B** a reduction in the price of hairdressing

**C** an increase in wigs worn by television celebrities

**D** a reduction in the price of wigs

7 The price elasticity of demand for a good is highly elastic.

What is the impact on expenditure on this good when its price increases?

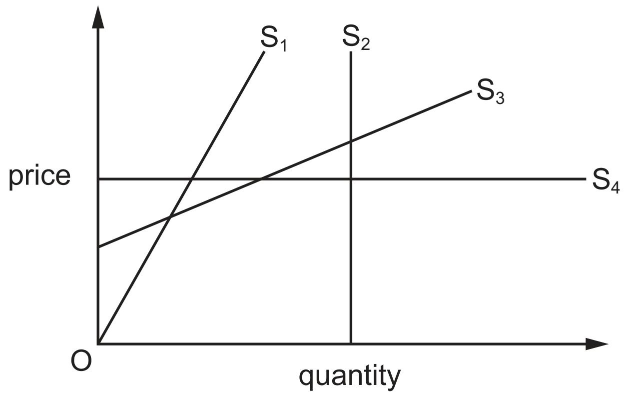
**A** decreases

**B** increases by a large amount

**C** increases by a small amount

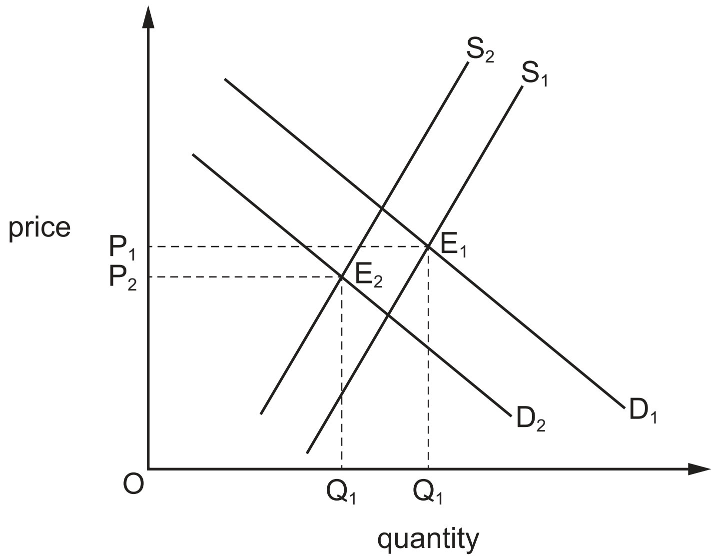
**D** stays unchanged

8 For which supply curve is the value of price elasticity of supply **not** the same at all points on
the curve?




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

9 The diagram shows two demand curves and two supply curves in the market for coffee beans.




Coffee beans and tea are substitutes for consumers.

What is the likely cause for the change in equilibrium from $E_1$ to $E_2$?

**A** a rise in the price of tea and an increase in the cost of producing coffee beans

**B** a subsidy on the production of coffee beans and an increase in the production of tea

**C** an increase in the number of coffee bean producers and a fall in the price of tea

**D** the removal of a subsidy for coffee bean producers and a fall in the price of tea

**10** A government increases the import tariff on food products.

What will be the impact on consumer surplus and price?

| | **consumer surplus** | **price** |
|---|---|---|
| **A** | falls | falls |
| **B** | falls | rises |
| **C** | rises | falls |
| **D** | rises | rises |

**11** What would be included in a measure of wealth?

**A** interest received on savings held in bank accounts

**B** jewellery purchased by households

**C** profits gained from investments

**D** rent gained from ownership of property

**12** What is the major problem associated with a government directly providing the correct amount of a public good?

**A** competition from private producers

**B** estimation of demand

**C** increased trade

**D** rivalry in consumption

**13** The Gini Coefficient of a country rises from 0.45 to 0.49.

What is the most likely explanation of this increase in the Gini Coefficient?

**A** incomes are distributed more equally

**B** the taxation system has become more progressive

**C** low-income workers have acquired new skills

**D** there is a reduction in welfare payments

**14** The income tax structure of a country has two elements.

1 The first $20 000 of earned income is **not** taxed.

2 Any income earned above $20 000 is taxed at 20%.

What would be a correct description of this tax structure?

**A** It is a progressive tax structure.

**B** It is a proportional tax structure.

**C** It is a regressive tax structure.

**D** The average rate of taxation decreases as incomes increase.

**15** A government imposes a maximum price on a new vaccine below the market equilibrium price.

What will happen in the market as a result of this government intervention?

**A** companies will produce more new vaccines to meet the demand at the maximum price

**B** demand of the new vaccine will decrease at the maximum price

**C** some consumers will be unable to buy the new vaccine at the maximum price

**D** the market will clear at the maximum price

**16** 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

**17** What represents a leakage from the circular flow of income in an economy?

**A** a balance of trade surplus

**B** a government budget surplus

**C** reduction in firm's spending on research and development

**D** reinvestment of a firm's profits

**18** How is real GDP calculated?

**A** $\text{nominal GDP} \times \dfrac{\text{price index in base year}}{\text{price index in current year}}$

**B** $\text{nominal GDP} \times \dfrac{\text{price index in current year}}{\text{prince index in base year}}$

**C** $\text{price index in current year} \times \dfrac{\text{nominal GDP}}{\text{price index in base year}}$

**D** $\text{price index in current year} \times \dfrac{\text{price index in base year}}{\text{nominal GDP}}$

**19** Which combination is likely to result in cost–push inflation?

| | **exchange rate** | **output per worker per hour** |
|---|---|---|
| **A** | falling | falling |
| **B** | falling | rising |
| **C** | rising | falling |
| **D** | rising | rising |

**20** What is most likely to lead to a situation where the recorded number of unemployed is more than the actual number?

**A** Some workers are **not** provided with enough work to work at their full capacity.

**B** Some workers fail to register themselves for unemployment benefits.

**C** Some workers give up looking for work due to a lack of job opportunities.

**D** Some workers may claim to be unemployed to avoid paying income tax.

**21** A government spends money providing healthcare to the population.

Why does the government do this?

**A** All healthcare is too expensive.

**B** Healthcare is non-excludable.

**C** Healthcare is non-rival.

**D** Healthcare is underconsumed.

**22** What is **not** a tool of monetary policy?

**A** capital investment

**B** credit regulations

**C** interest rates

**D** money supply

**23** The table shows real GDP and consumer prices (CPI) expressed as index numbers for an economy (2020 = 100).

| | **2020** | **2021** | **2022** |
|---|---|---|---|
| real GDP | 100 | 98 | 96 |
| CPI | 100 | 98 | 95 |

Which combination of policies will achieve economic growth and low and stable inflation?

| | **budget deficit** | **rate of interest** |
|---|---|---|
| **A** | decreases | decreases |
| **B** | decreases | increases |
| **C** | increases | decreases |
| **D** | increases | increases |

**24** In which situation is expansionary fiscal policy through increased government expenditure likely to be most effective in increasing employment in an economy?

**A** When the AD curve cuts the horizontal part of the AS curve.

**B** When the AD curve cuts the vertical part of the AS curve.

**C** When the government also raises tax to fund its increased expenditure.

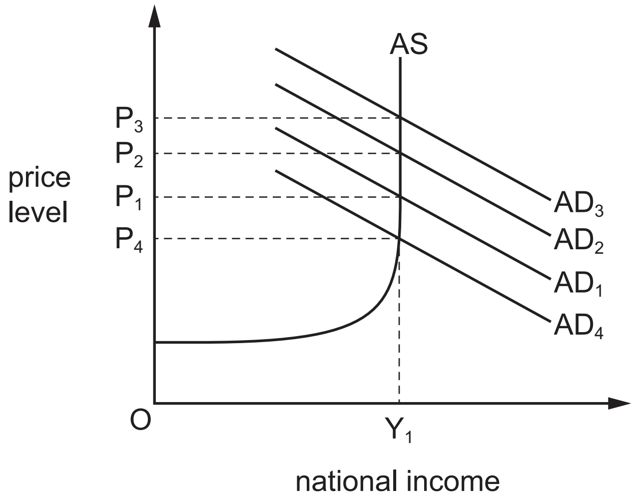
**D** When the government injects a large amount of spending into the economy.

**25** The diagram shows the aggregate demand (AD) and aggregate supply (AS) curves for an economy. The AD curve is initially at $AD_1$.

The economy is experiencing a growth in exports which is expected to lead to an increase in the price level to $P_3$.

In consequence, the government adopts a contractionary monetary policy to reduce the price level to the lowest possible value without changing national income.




Which statement is correct?

**A** If there is no monetary policy the AD curve will move to $AD_2$, but following the contractionary monetary policy the AD curve moves to $AD_1$.

**B** If there is no monetary policy the AD curve will move to $AD_2$, but following the contractionary monetary policy the AD curve moves to $AD_3$.

**C** If there is no monetary policy the AD curve will move to $AD_3$, but following the contractionary monetary policy the AD curve moves to $AD_2$.

**D** If there is no monetary policy the AD curve will move to $AD_3$, but following the contractionary monetary policy the AD curve moves to $AD_4$.

**26** What is **not** an example of protectionism?

**A** a ban on imports of chicken products

**B** import tariffs on agricultural products

**C** maximum supermarket food prices

**D** strict health and safety requirements for imported products

**27** A family from the United States buys a holiday in Spain.

What is the effect of this on the current account of the balance of payments in Spain?

**A** It improves the balance of trade in goods.

**B** It improves the balance of trade in services.

**C** It worsens the balance of trade in goods.

**D** It worsens the balance of trade in services.

**28** How is the terms of trade index calculated?

**A** $\dfrac{\text{export price index}}{\text{import price index}} \times 100$

**B** $\dfrac{\text{export price index}}{\text{quantity of exports traded}} \times 100$

**C** $\dfrac{\text{import price index}}{\text{export price index}} \times 100$

**D** $\dfrac{\text{quantity of imports traded}}{\text{quantity of exports traded}} \times 100$

**29** What is **not** an argument for protectionist policies?

**A** to improve the current account of the balance of payments

**B** to improve the terms of trade

**C** to reduce the rate of domestic inflation

**D** to protect strategic industries

**30** What is the consequence of an appreciation of the exchange rate on the current account of the balance of payments and the price level?

| | **current account of the balance of payments** | **price level** |
|---|---|---|
| **A** | improves | decreases |
| **B** | improves | increases |
| **C** | worsens | decreases |
| **D** | worsens | increases |

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