Cambridge International AS & A Level

ECONOMICS **9708/14**

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)

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 Which statement describes the fundamental economic problem of scarcity?

A There are limited resources and unlimited wants.

B There are limited resources and limited wants.

C There are unlimited resources and limited wants.

D There are unlimited resources and unlimited wants.

2 Which combination correctly describes the characteristics of a free good?

	supply of a free good	**opportunity cost of a free good**
A	limited	no
B	limited	yes
C	unlimited	no
D	unlimited	yes

3 What is **not** a reward to a factor of production?

A interest

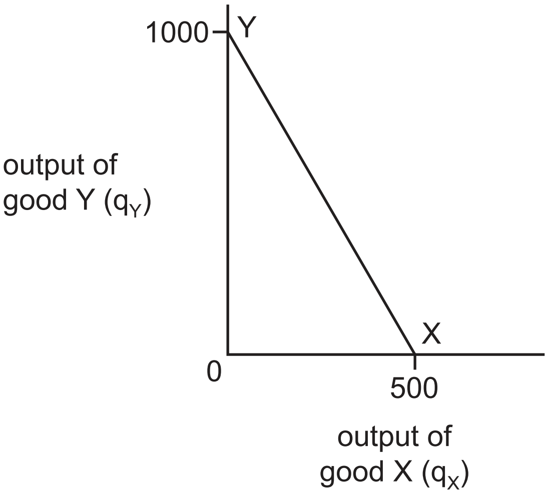
B rent

C tax

D wages

4 YX is an economy's production possibility curve (PPC).

The equation of the curve is $q_Y = 1000 - 2q_X$.



What is the opportunity cost of producing one extra unit of good X?

A $\frac{1}{2}$ unit of good Y

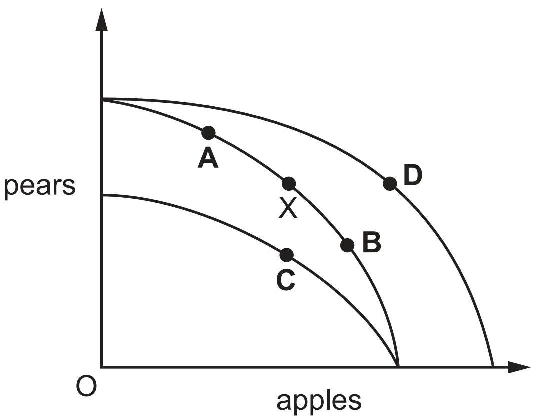
B 2 units of good Y

C 500 units of good Y

D 1000 units of good Y

5 The diagram shows production possibility curves for a farmer. The original position is X.

If the farmer switches some of his land from producing pears to producing apples, which point represents his new position?



6 A good has a price elasticity of supply of 2.0. The current quantity supplied is 300 units per week at a market price of $20 per unit.

The firm raises the price to $25 per unit.

What will the new quantity supplied be per week?

A 150 units

B 375 units

C 400 units

D 450 units

7 What is producer surplus?

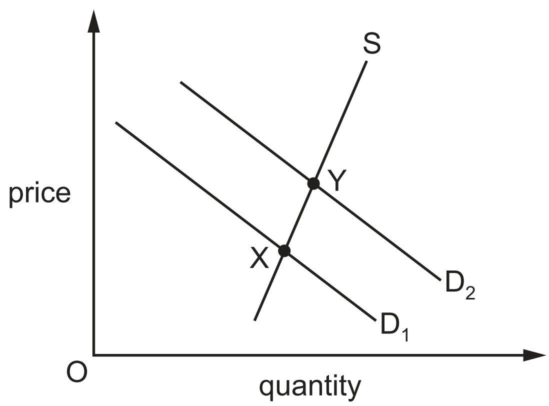
A The amount of the good left unsold when supply of a product exceeds demand for the product.

B The amount of goods purchased in a buffer stock scheme when prices are low.

C The difference between a point on a production possibility curve and a point inside it.

D The difference between the price a producer is willing to accept and the price that is actually paid.

8 The diagram represents the market for electric cookers.



What is likely to explain the change in the equilibrium from point X to point Y?

A a fall in the price of electric cookers

B an increase in a specific tax on electric cookers

C an increase in the number of households

D an increase in the price of electricity

9 A firm supplies a highly competitive market with mobile phones and the apps used with them.

The market price of mobile phones rises but the price charged for apps remains the same.

What are the most likely consequences for expenditure on this firm's mobile phones and apps?

	expenditure on phones	**expenditure on apps**
A	falls	falls
B	rises	falls
C	falls	unchanged
D	rises	unchanged

10 The demand curve of a product is represented by the equation $Q_d = 80 - 5P$.

The supply curve of a product is represented by the equation $Q_s = 40 + 3P$, where Q_d = quantity demanded, Q_s = quantity supplied and P = price.

What is the equilibrium price of the product?

A \$5 **B** \$8 **C** \$15 **D** \$20

11 A government has decided to provide a subsidy on a merit good which has a downward sloping demand curve.

What will always fall as a result?

A consumer expenditures

B government expenditures

C price of the product

D producer revenues

12 What is used to measure inequalities in the distribution of income?

A the Gini coefficient

B the rate of income tax

C the rate of inflation

D the circular flow of income

13 Which scenario leads to the free rider problem?

A buy one get one free promotions leaving supermarket shelves empty

B free goods such as the sea being polluted by discarded plastics

C households who enjoy the benefits of defence without paying for it

D long queues for treatment caused by free medical care

14 Increases to which measures are most likely to stabilise the price level and reduce income inequalities at the same time?

A import tariffs on non-essential items and transfer payments

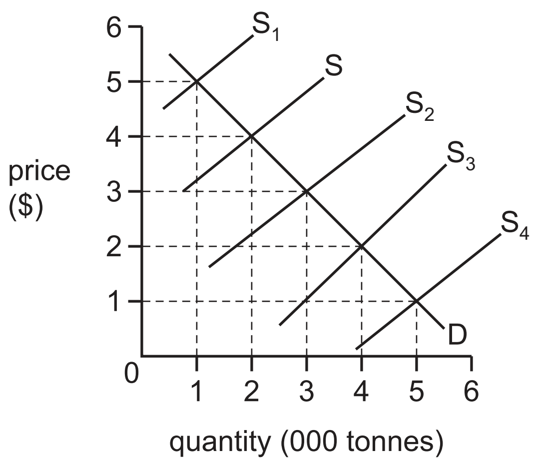
B interest rates and restrictions on bank lending

C minimum wages and tax allowances

D tax rates on high income earners and subsidies for essential food items

15 In the diagram, D is the demand curve of an agricultural commodity and S is the initial supply curve.

The government promises to maintain farmers' incomes at least at their initial level. The harvests in four subsequent years are shown by supply curves S_1–S_4.



In which years will the government **not** need to provide extra income to farmers?

A 1 and 2 **B** 1 and 4 **C** 2 and 3 **D** 3 and 4

16 The use of new technology by firms has led to an increase in unemployment in an economy.

What is this an example of?

A cyclical unemployment

B frictional unemployment

C seasonal unemployment

D structural unemployment

17 Which change in aggregate demand will increase demand–pull inflationary pressure in an economy?

A higher government spending

B higher import spending

C lower consumer spending

D lower investment spending

18 Which row correctly identifies net injections into a country's circular flow of income?

	government expenditure > taxation	**savings > investment**	**exports > imports**
A	no	no	yes
B	no	yes	no
C	yes	no	yes
D	yes	yes	no

19 What is the **most** likely reason why the usefulness of a consumer price index (CPI) is limited when recording changes in the price level?

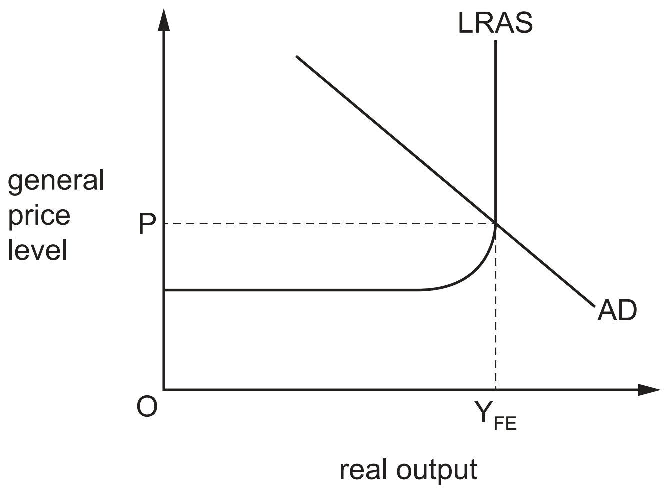
A It does **not** take account of changes in the quality of goods and services.

B It is **not** possible to include enough prices of different goods and services.

C It only records consumption patterns for an average household.

D It does **not** consider all available goods and services.

20 The diagram shows an economy at full employment equilibrium.



Which short-run measures should the government take to maintain the economy's current equilibrium if there is an unexpected balance of trade surplus?

A higher government spending on education financed by an equal rise in direct taxation

B higher direct taxation with government spending unchanged to create a budget surplus

C higher spending on infrastructure financed by a budget deficit

D lower interest rates to promote investment spending in the private sector

21 An economy is at a point within its production possibility curve (PPC).

Which monetary policy will help the government to achieve a macroeconomic objective of lower unemployment?

A an increase in credit regulations

B an increase in the exchange rate

C an increase in the interest rate

D an increase in the money supply

22 What is a definition of a proportional tax?

A A tax which takes a larger percentage of income from those on high incomes.

B A tax which takes a larger amount of income from those on low incomes.

C A tax which takes the same amount of income from all income groups.

D A tax which takes the same percentage of income from all income groups.

23 The central bank of a country has increased interest rates to a high level.

What will increase as a result of this?

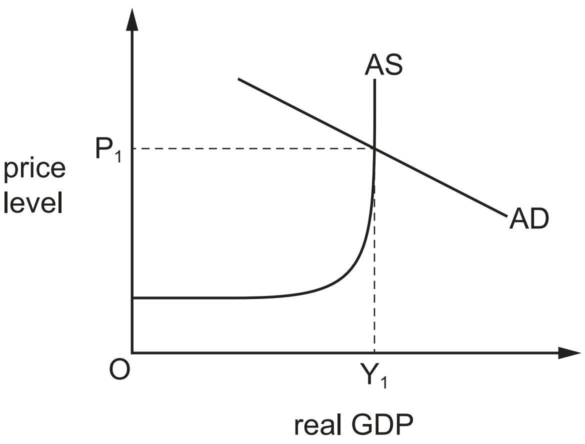
A cost of borrowing

B economic growth

C employment

D price level

24 The diagram shows the aggregate demand (AD) and aggregate supply (AS) curves for a country.



What is the impact on the price level and unemployment of a small decrease in government expenditure?

	price level	unemployment
A	decrease	decrease
B	decrease	unchanged
C	increase	unchanged
D	unchanged	increase

25 A newly-built public sector engineering training college received poor inspection reports. The government ceased to pay the college the money that it had usually received as its annual grant.

Which types of government policy does this statement imply?

A fiscal and monetary policies only

B fiscal and supply-side policies only

C fiscal, monetary and supply-side policies

D monetary and supply-side policies only

26 Which action increases and which action decreases the level of protectionism?

	increases protectionism	**decreases protectionism**
A	imposing an embargo	reducing subsidies to domestic producers
B	imposing exchange controls	lowering quota levels
C	introducing voluntary export agreements	increasing subsidies to domestic producers
D	removing quotas	introducing embargos

27 Which policy is **not** likely to help reduce a current account deficit on the balance of payments?

A an increase in expenditure promoting locally produced goods

B an increase in the quota on cheap imports

C an increase in the restrictions on foreign exchange

D an increase in the subsidies to exporting industries

28 The principle of comparative advantage states that a country can make gains in international trade.

What are these gains determined by?

A the country being willing to impose tariffs on its trading partners

B the country having a lower opportunity cost in the production of some goods compared to its trading partners

C the country's capacity to export the goods it produces

D the country's total productive capacity

29 There is a floating exchange rate between country M and country N.

Which changes will definitely cause an appreciation of country M's currency?

	value of exports from M to N	**value of imports from N to M**
A	decreases	decreases
B	decreases	increases
C	increases	decreases
D	increases	increases

30 The slowdown of global economic activity has not only decreased the demand for various goods and services, but also decreased oil prices.

What is the most likely effect on a country that relies heavily on imports of oil and foreign remittances from workers?

	inflation	**current account of the balance of payments**
A	falls	improves
B	falls	uncertain
C	rises	improves
D	rises	uncertain

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