Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/11**

Paper 1 AS Level Multiple Choice **May/June 2025**

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.
- 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 about a free vaccination programme is normative?

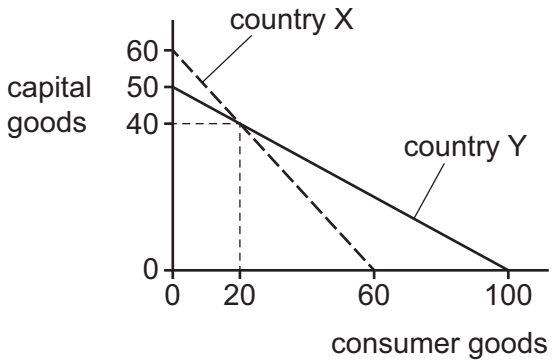
A It will help raise life expectancy.

B It is likely to improve the welfare of society.

C It will result in lower spending on other medical services.

D Tax revenues generated through improved economic activity will exceed the spending on vaccination.

2 The diagram shows the production possibility curves of two countries, X and Y.



What can be concluded from the diagram?

A Both countries have decreasing opportunity cost in the production of consumer goods.

B Both countries should produce 40 units of capital goods and 20 units of consumer goods.

C Country Y has constant opportunity cost in the production of consumer goods.

D Country Y is producing more consumer goods than country X.

3 Which goods are **least** likely to be allocated by market forces in a mixed economy?

A hospitals

B railways

C street lighting

D television programmes

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4 In 2020, there was a worldwide pandemic. High-income countries quickly developed a vaccine. Low-income countries built high-tech factories to manufacture large quantities of the vaccine for export.

What explains this international division of labour?

	high-income countries	low-income countries
A	availability of specialists in research and development	lower costs of production
B	scarce human resources	over-supply of unskilled labour
C	many people tended to avoid the disease	many people tended to catch the disease
D	no government control over resource allocation	strict government control over resource allocation

5 How can a public good become a private good?

A Consumers are dissatisfied with the performance of state-run services.

B New technological developments make the good excludable.

C The government privatises the industry producing the good.

D The price of the good increases so it becomes more profitable.

6 What is **not** a function of the price mechanism?

A to act as a signal to firms when allocating resources

B to maximise consumer surplus

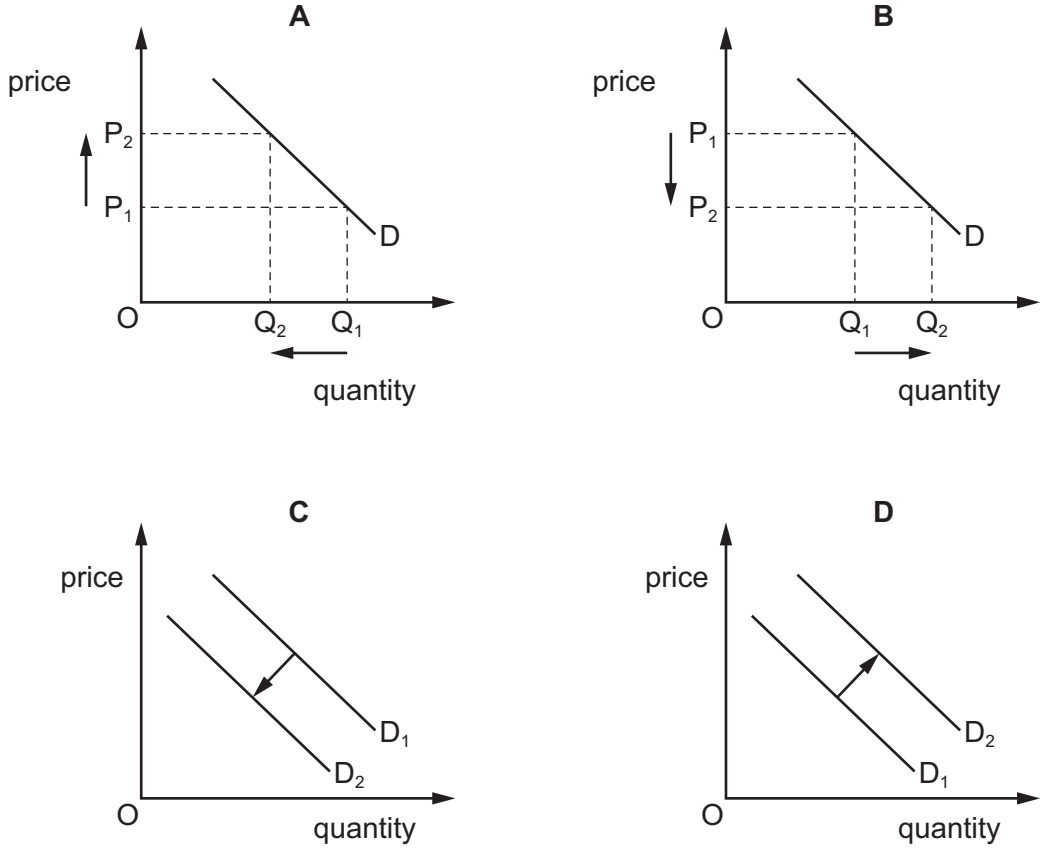
C to provide an incentive to firms to produce goods

D to ration scarce resources

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7 Cars and petrol (gasoline) are in joint demand.

What is the effect of an increase in the price of cars on the demand for petrol?



8 What would best explain why the price elasticity of supply (PES) is likely to be lower for fresh vegetables grown within a country compared to the PES of goods manufactured in that country?

A Alternative supplies can be flown in from foreign producers.

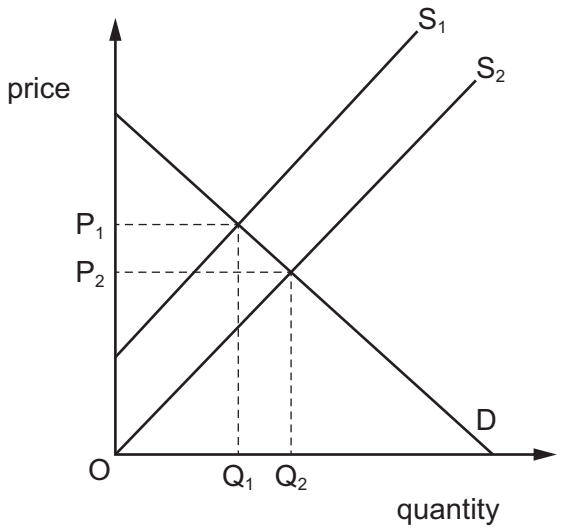
B A positive price change encourages a positive output change along the supply curve.

C Fresh vegetables has a horizontal supply curve.

D There is a seasonal time lag involved in planting and harvesting more fresh vegetables.

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9 The diagram shows the demand for and supply of a product.



What could cause supply to shift from S_1 to S_2?

A a fall in the price of the product

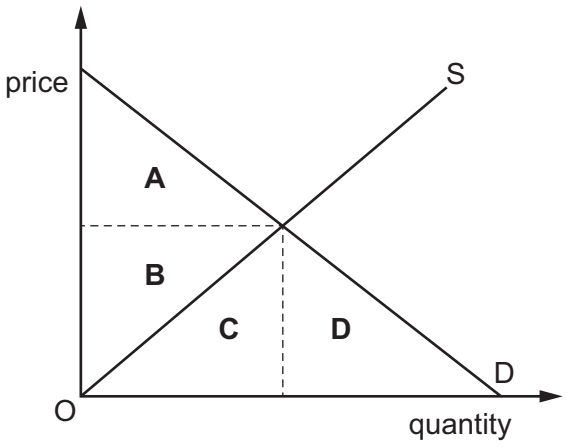
B a fall in labour costs

C a rise in the price of the product

D a rise in labour costs

10 The diagram shows the demand for and supply of a product.

Which area shows producer surplus?



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11 What is an example of wealth?

A interest received

B profits

C property

D incomes

12 Too much sugar causes an increase in a consumer's weight. A government has introduced a 'sugar tax' on the consumption of soft drinks that have a high sugar content.

How might this policy help to reduce the number of overweight people?

A Consumers switch to cheaper brands of soft drink with a high sugar content.

B Consumers switch to other high-sugar substitute goods, such as alcohol or sweets.

C The price elasticity of demand for soft drinks is inelastic.

D The tax revenue is spent on education about the dangers of soft drink consumption.

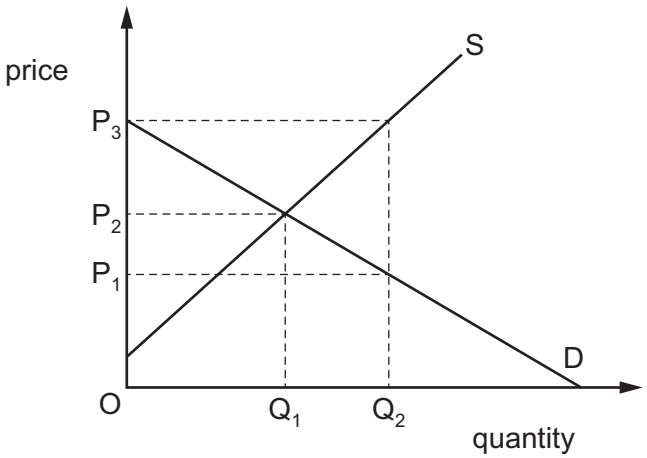
13 A ……1…… price set below the market equilibrium will cause a ……2…… of the product, and a ……3…… price set above the market equilibrium will cause a ……4…… of the product.

Which words complete gaps 1, 2, 3 and 4?

	1	2	3	4
A	maximum	shortage	minimum	surplus
B	maximum	surplus	minimum	shortage
C	minimum	shortage	maximum	surplus
D	minimum	surplus	maximum	shortage

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14 The diagram shows the demand for and supply of eye tests provided by opticians.



Which policy would enable the government to increase the number of eye tests from OQ_1 to OQ_2?

A a maximum price of OP_3 per test

B a minimum price of OP_2 per test

C a subsidy paid to opticians of P_3-P_2 per test

D a subsidy paid to opticians of P_3-P_1 per test

15 What is an example of a transfer payment?

A a household moving savings from one bank account to another

B a monthly repayment on a loan used to buy a new cooker

C the amount paid to transport goods from one city to another

D grants paid to students by the government

16 Which statement correctly describes an increase in real GDP?

A Nominal GDP rising faster than nominal income.

B Nominal GDP rising faster than the rate of inflation.

C The rate of inflation rising faster than aggregate demand.

D The rate of inflation rising faster than nominal income.

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17 An open economy with a government sector is in equilibrium. Households in this economy save $100 million and firms spend $150 million on investment.

Which combination of the budget balance and the current account balance would lead to an equilibrium position on the circular flow of income?

	budget balance	current account balance
A	$100m deficit	$50m deficit
B	$100m deficit	$50m surplus
C	$100m surplus	$50m deficit
D	$100m surplus	$50m surplus

18 An economy's manufacturing share of real GDP fell from 30% in 1990 to 12% in 2023.

Which type of unemployment would have resulted from this?

A cyclical

B frictional

C structural

D voluntary

19 Which statement is **not** correct?

A The long-run aggregate supply curve can be downward sloping.

B The long-run aggregate supply curve can be horizontal.

C The long-run aggregate supply curve can be upward sloping.

D The long-run aggregate supply curve can be vertical.

20 The price of a pack of six eggs rises from $1.00 to $1.32 over a year. Consumer prices, as measured by the consumer price index, rise by 10% over the same period.

What is the real price of a pack of six eggs at the end of the year?

A $1.00 **B** $1.10 **C** $1.20 **D** $1.32

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21 What is **not** an example of monetary policy?

A a rise in import tariffs on manufactured goods

B a rise in interest rates by the central bank

C a rise in credit regulations

D a rise in the money supply

22 A government decides to raise most of its revenues from indirect taxes.

What would increase the effectiveness of this policy?

A an increasing trend towards bartering of goods

B increasing interest rates on household savings

C increasing occurrence of informal markets in the economy

D placing taxes on goods and services which have a price-inelastic demand

23 A government uses expansionary monetary policy over a three-year period.

Which combination identifies the likely impact of such a policy?

	real GDP	price level	unemployment
A	falling	rising	falling
B	rising	rising	rising
C	rising	rising	falling
D	rising	falling	rising

24 What is **not** an example of an expansionary supply-side policy?

A a reduction in government spending on training

B an increase in support for technological improvement

C a reduction in payments to the unemployed

D an increase in privatisation of industry

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25 The table shows the amount of tax paid on three different levels of income.

Which combination shows a proportional income tax system?

	tax paid on annual income of $10 000	tax paid on annual income of $20 000	tax paid on annual income of $40 000
A	1000	1000	1000
B	1000	1500	2000
C	1000	2000	4000
D	1000	2500	8000

26 Why does the value of a country's terms of trade have no monetary units?

A It cannot be calculated accurately enough.

B It includes more than one currency.

C It is a ratio of two index numbers.

D It measures change over time.

27 Which statement correctly describes a tariff?

A It is a complete ban on imports.

B It is a minimum price for domestic producers.

C It is a payment to exporters.

D It is a tax imposed on imports.

28 A country has a persistent deficit on the current account of its balance of payments.

What is most likely to improve the situation in the long run?

A a lowering of the level of import duties

B a reduction in the level of income tax

C the introduction of expansionary monetary policy

D the use of grants to encourage new investment by firms

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29 Primary income and secondary income are components of the current account of the balance of payments.

Which option correctly identifies an example of primary income and secondary income?

	primary income	secondary income
A	government transfers	income from profits earned abroad
B	income from profits earned abroad	dividends earned on foreign shares
C	income from profits earned abroad	government transfers
D	workers' remittances	income from profits earned abroad

30 The table shows the change in the value of UK sterling over a three-month period.

June	Sept
£1 = $1.38	£1 = $1.32

What is likely to be the short-term impact of the change in the value of UK sterling on the UK economy?

A increased disinflation

B increase in cost-push inflation

C more purchasing power of money

D reduced demand-pull inflation

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