Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/13**

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.

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1 A tourist visits a government-owned tropical beach. She pays $10 to enter but finds it overcrowded.

Which type of good is the beach?

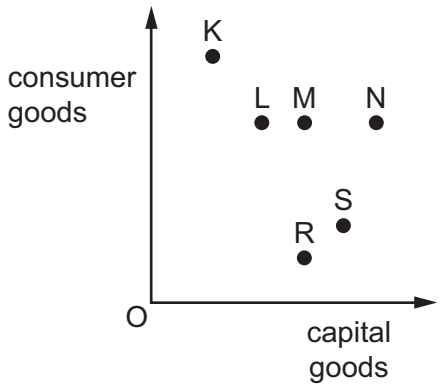
A a free good

B an inferior good

C a public good

D a private good

2 The diagram shows a country's production possibilities. Points K, L, M, N, R and S represent different combinations of capital goods and consumer goods. Point K cannot be achieved unless there is economic growth. Point M lies on the country's production possibility curve.



Which two points **must** be on opposite sides of the country's production possibility curve?

A K and N **B** L and R **C** N and R **D** R and S

3 A firm produces 100 units of good Y and 200 units of good X with a fixed amount of resources. This firm wants to increase production of good Y to 120 units and as a result it can now only produce 170 units of good X.

What is the opportunity cost of producing the extra 20 units of good Y?

A 20 units of good X

B 30 units of good X

C 120 units of good X

D 170 units of good X

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4 What is the most likely benefit of specialisation to a firm?

A increase in motivation of employees

B increase in imports from other countries

C increase in the number of employees

D increase in the level of output

5 Which row correctly identifies goods that would be expected to be produced in a mixed economy?

	goods that are excludable and rival in consumption	goods that are non-excludable and non-rival in consumption	goods that have private and external benefits
A	✓	✓	✓
B	✓	✓	✗
C	✓	✗	✓
D	✗	✗	✓

6 A theatre has a fixed number of tickets to sell for each performance.

What is the price elasticity of supply?

A perfectly elastic

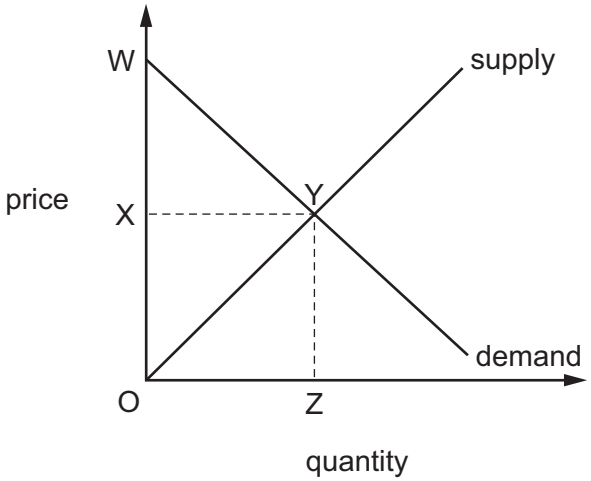
B perfectly inelastic

C unit elastic and negative

D unit elastic and positive

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7 The diagram shows the market for computers in a country.



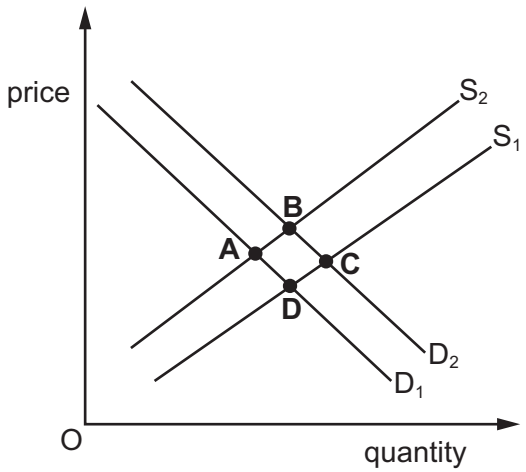
Which area represents consumer surplus?

A WYX **B** XYO **C** WYO **D** OYZ

8 The diagram shows the market demand for and supply of foodstuffs for an economy.

This economy has faced a decrease in the supply of foodstuffs and, at the same time, an increase in demand for foodstuffs by consumers.

Which point represents the market equilibrium following these changes?



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9 What is true for income elasticity of demand but **not** for price elasticity of demand?

A It helps firms differentiate between goods with elastic and inelastic demand.

B It helps firms differentiate between normal and inferior goods.

C It helps firms predict the changes in the quantity demanded.

D It helps firms predict the changes in sales revenues.

10 The table shows the supply and demand for avocados in kilograms (kg).

price per kg ($)	quantity demanded per day (kg)	quantity supplied per day (kg)
45	170	230
40	190	190
35	210	150
30	230	110

As a result of lower transport costs, supply rises by 60 kg at all prices.

What is the new equilibrium price?

A $45 **B** $40 **C** $35 **D** $30

11 A construction firm estimates that the price elasticity of supply in building a nuclear power plant is +0.1.

What might explain this?

A The firm can easily find new land as required.

B The firm is competing with many other construction firms.

C The firm needs time to hire the highly skilled labour required.

D There is a lack of close substitutes for nuclear power.

12 Which statement about maximum and minimum prices is correct?

A With an effective maximum price for a product, a shortage will develop.

B With an effective maximum price for a product, the market price will rise.

C With an effective minimum price for a product, rationing will be necessary.

D With an effective minimum price for a product, the market price will fall.

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13 A flood-control dam is an example of a good provided directly by a government.

Which statement relating to the direct provision of a flood-control dam is **not** correct?

A It allows the government to tackle the failure to provide public goods.

B It forces the government to incur an opportunity cost.

C It involves the supply of a merit good.

D It is an example of government allocation of resources.

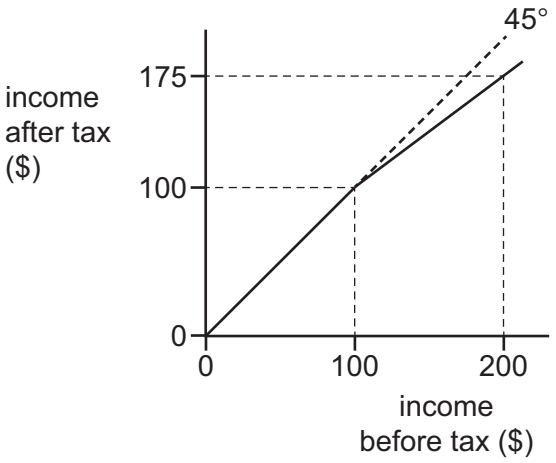
14 A country depends heavily on the production of an agricultural product, good X. It decides to introduce a buffer stock scheme for good X. The government allocates a fixed amount of money for setting up and running the scheme.

In which situation is the scheme **least** likely to run out of money?

	ability of new farmers to start growing good X	cost of storing good X	global demand for good X
A	easy	high	constant
B	easy	low	rising
C	difficult	high	constant
D	difficult	low	rising

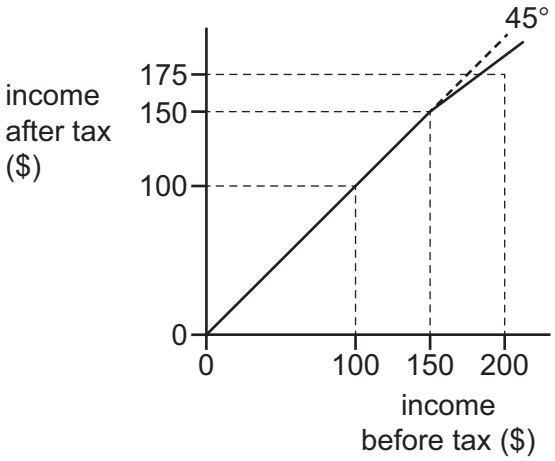
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15 The graph shows an individual's income before and after the deduction of income tax.

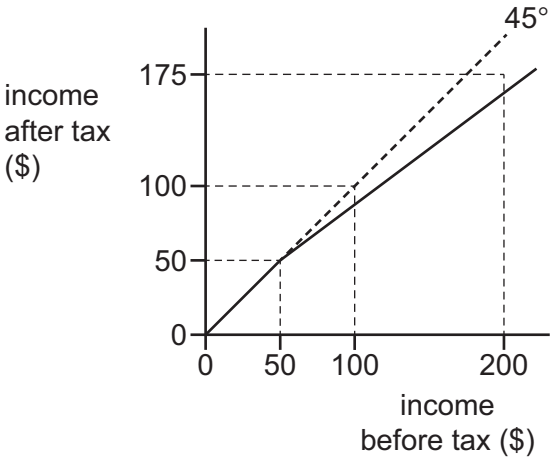


Which change to this income tax system is most progressive?

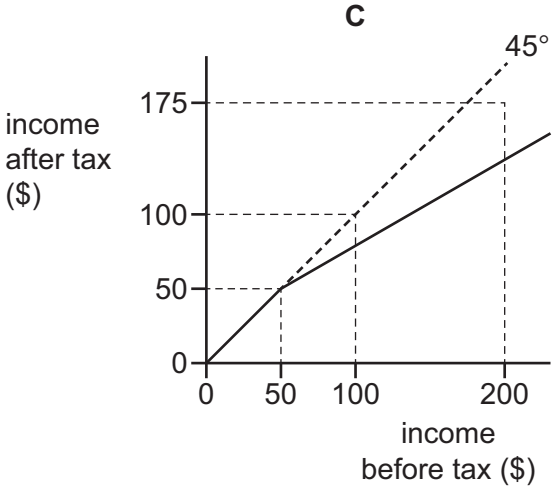
A



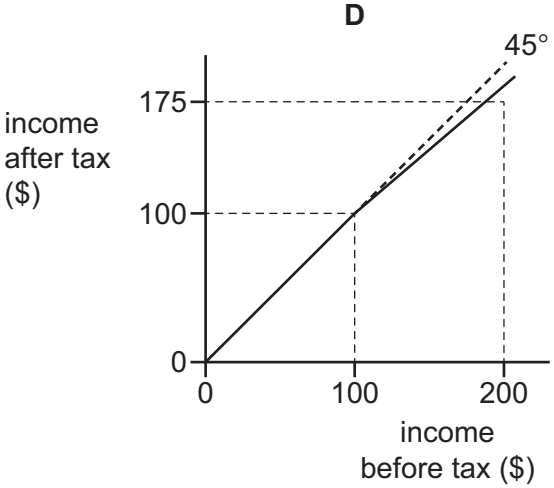
B



C



D



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16 Which source of income is **not** included in measuring real GDP?

A pension paid to retired people

B profits made by firms

C rent paid to landlords

D wages paid to nurses

17 The table shows some labour market statistics.

	million
number of people of working age	45
number of people unemployed	2
number of people in the labour force	40
number of people in the population	80

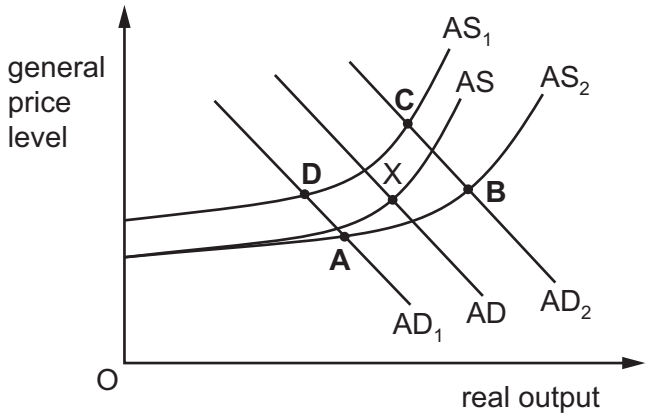
What is the unemployment rate?

A 2.5% **B** 5% **C** 6.25% **D** 12.5%

18 The diagram shows aggregate demand (AD) and aggregate supply (AS) where the initial equilibrium is at point X.

The central bank forecasts a rise in raw material costs. The government plans to increase spending on health.

What would be the new equilibrium in the short run if the forecasts prove to be accurate and the government plans are implemented?



19 An economy is experiencing a period of deflation.

What must be happening?

A The average price level is falling.

B The output of the economy is falling.

C The rate of inflation is falling.

D The real value of money is falling.

20 What is the most likely consequence of economic growth?

A a fall in the price of raw materials

B a rise in youth unemployment

C a worsening current account balance

D reduced demand-pull inflationary pressures

21 A government wants to operate a tighter monetary policy.

What would it increase?

A budget surplus

B interest rate

C money supply

D rates of taxation

22 Which action is classified as a fiscal policy measure?

A fixing a currency to another country's currency

B tightening credit regulations on banks

C providing guidance to industry and the public

D managing changes in the level of government debt

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23 The table shows government spending and revenue over a three-year period.

year	government spending ($bn)	government revenue ($bn)
1	90	100
2	110	110
3	130	115

What can be concluded from the data?

A A budget surplus becomes a budget deficit in year 3.

B National debt is likely to be falling by the end of year 3.

C The current account balance is in equilibrium in year 2.

D The economy is at full employment equilibrium in year 2.

24 Which statement about supply-side policies is correct?

A They solve the problem of demand deficient unemployment.

B They do not involve an opportunity cost.

C They reduce unemployment but do not affect the price level.

D They may reduce regional unemployment.

25 A government has a target to reduce the rate of inflation.

Why might it **not** want to raise interest rates to achieve this target?

A aggregate demand may fall

B aggregate supply may fall

C saving may fall

D the exchange rate may fall

26 Which argument in favour of protectionism is **not** generally regarded as economically valid?

A Once the protected industry becomes established, it will produce efficiently.

B It prevents heavily subsidised imports from competing unfairly against domestic goods.

C It provides time for the protected industry's workers to be retrained for other work.

D It increases the standard of living of the population in general.

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27 A country has a deficit on the current account of the balance of payments.

What would be expected to increase the deficit?

A an appreciation of the exchange rate

B an increase in domestic productivity

C an introduction of import quotas

D a rise in subsidies to domestic firms

28 A government increases the import quota of cars.

What is the likely effect of this?

A jobs will be created in the domestic car industry

B prices of cars will fall for domestic consumers

C specialisation is reduced

D trading partners will retaliate

29 The table gives the terms of trade index for a country over three years.

	year 1	year 2	year 3
terms of trade	100	105	112

What is the most likely impact of this change?

A there will be a decrease in cost-push inflation

B there will be a decrease in living standards

C there will be an increase in the budget surplus

D there will be an increase in the volume of exports

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30 Country X and country Y use the same amount of resources to produce mobile phones and televisions. The table shows how much of each product can be produced if all resources are used to produce that product.

	mobile phones	televisions
country X	500	400
country Y	100	200

What can be deduced about absolute advantage and comparative advantage?

A Country X has an absolute advantage in producing mobile phones and a comparative advantage in producing televisions.

B Country X has an absolute advantage in producing televisions and a comparative advantage in producing mobile phones.

C Country Y has an absolute advantage in producing mobile phones and a comparative advantage in producing televisions.

D Country Y has an absolute advantage in producing televisions and a comparative advantage in producing mobile phones.

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