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Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/14**

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

1 hour

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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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[Turn over

1 What is a common criticism of economics?

A It fails to establish theories of economic behaviour.

B It is unable to construct models of how an economy might work.

C It lacks the ability to use and apply mathematics.

D It is very difficult to undertake laboratory experiments in economics.

2 What is an essential requirement for a market economy to be able to allocate its resources?

A freedom of entry and exit

B private ownership of property

C many buyers and sellers

D perfect product knowledge

3 Under which conditions are free market forces most likely to allocate resources efficiently in an economy?

	the number of certain types of good needed by consumers in the economy		
	demerit goods	merit goods	public goods
A	a few	a few	a few
B	many	many	a few
C	none	many	none
D	none	none	none

4 What does a production possibility curve show?

A the actual demand in an economy given its existing resources

B the maximum output an economy can achieve using existing resources

C the maximum output an economy can ever achieve

D the minimum combinations of output an economy can achieve

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5 A city built a new stadium to host the World Athletics championships. The city authorities also ensured clean air by closing factories and making their workers unemployed during the championships.

Which part of this is an example of non-rival consumption?

A The improved air quality also benefited those who did not have to pay for it.

B The private costs and external costs were borne by the city authorities.

C The stadium could be used after the championships.

D The unemployed factory workers were entitled to free tickets to the stadium.

6 Along which axis can the market demand curve be aggregated from individual demand curves?

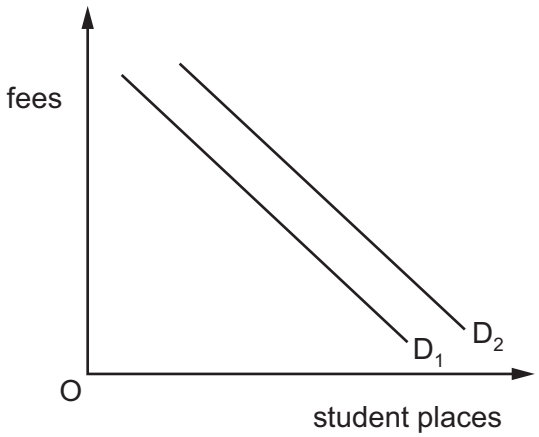
A both the horizontal and the vertical axis

B the horizontal axis only

C the horizontal or the vertical axis but not both

D the vertical axis only

7 In the diagram, D_1 is the initial demand curve for student places at universities.



What could cause the demand curve to shift to D_2?

A a decrease in student fees for universities

B a decrease in the level of youth unemployment

C an increase in graduate earnings compared with non-graduate earnings

D higher A Level grades demanded for university entrance

8 A survey into the market for good X found that it is an inferior good and a close substitute for good Y.

Which values for the income elasticity of demand for good X and its cross elasticity of demand with respect to the price of good Y would support this?

	income elasticity of demand for good X	cross elasticity of demand for good X with respect to the price of good Y
A	–1.2	–0.9
B	–1.2	+0.9
C	+1.2	–0.9
D	+1.2	+0.9

9 What is the likely nature of the price elasticity of supply of a crop such as rice?

A highly elastic in both the short and the long run as rice is an essential product

B highly elastic in the short run and more inelastic in the long run as production methods improve

C highly inelastic in both the short and the long run as the land area of a country is fixed

D highly inelastic in the short run and more elastic in the long run as it takes time to plant rice

10 The price of laptop computers falls.

The price of which product is likely to rise as a result?

A desktop computers

B carrying cases for laptop computers

C monitors for desktop computers

D workstation tables for desktop computers

11 Assuming normal demand and supply for a product, what will definitely increase consumer surplus?

A a shift in the demand curve to the left

B a shift in the demand curve to the right

C a shift in the supply curve to the left

D a shift in the supply curve to the right

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12 A government in a market economy decides to subsidise the provision of the internet in remote parts of a country.

What is the most likely reason for doing this?

A to decrease provision of a demerit good

B to increase provision of a merit good

C to provide a public good

D to reduce negative externalities

13 Who is intended to benefit from an agricultural buffer stock scheme during periods of plentiful harvests?

A consumers of food

B growers of food

C processors of food

D taxpayers

14 A government decides to increase indirect taxes, abolish the agricultural subsidy and lower the income level at which tax becomes payable.

What would be the most likely consequence of these changes?

A a decrease in cost-push inflation

B an increase in income inequality

C an increase in the balance of payments deficit

D an increase in the budget deficit

15 What can be calculated using the formula $\frac{\text{nominal GDP} \times \text{price index in base year}}{\text{price index in current year}}$?

A gross national income

B real gross domestic product

C net domestic income

D net domestic product

16 What is always regarded as a cause, rather than a consequence, of a change in the circular flow of income?

A a decrease in government tax revenue

B an increase in consumption spending

C an increase in savings

D an increase in the value of exports

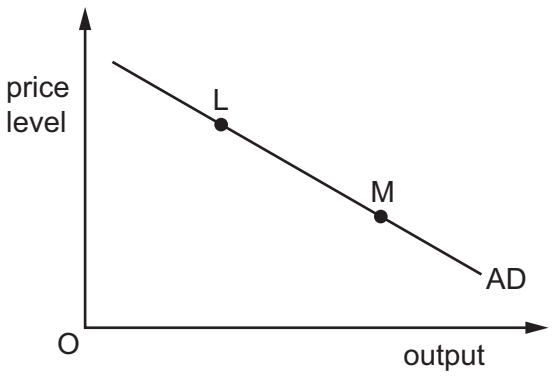
17 The table shows some data for an economy.

investment ($ million)	exports ($ million)	government expenditure ($ million)	savings ($ million)	imports ($ million)	taxation ($ million)	national income ($ million)
200	100	50	125	62.5	62.5	600
200	100	50	150	75	75	700
200	100	50	175	87.5	87.5	800
200	100	50	200	100	100	900

What is the equilibrium level of national income?

A $600 million **B** $700 million **C** $800 million **D** $900 million

18 The diagram shows an economy's aggregate demand curve.



What explains the downward movement from L to M along the AD curve?

A an increase in tariffs leading to decreased imports

B a decrease in taxes on firms, causing an increase in short-run aggregate supply

C an increase in consumer confidence, prompting higher spending on local goods as well as imports

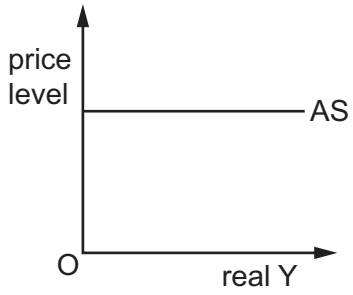
D a slow-down in economic activity, resulting in decreased investment spending

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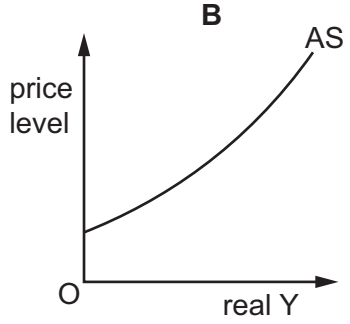
19 Long-run aggregate supply (AS) in an economy can be represented diagrammatically in different ways.

For which AS curve would a long-term fall in aggregate demand always be likely to result in the level of employment remaining unchanged?

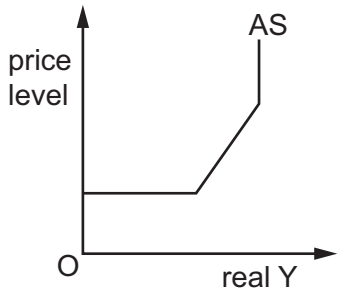
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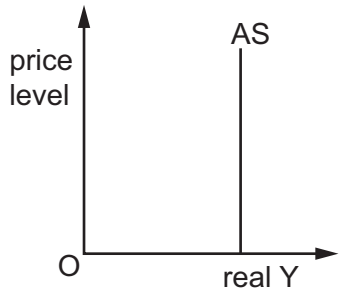
B



C



D



20 If a country is suffering from deflation, what would be the best policy to reflate the economy?

A increase corporation tax

B increase income tax

C reduce interest rates

D reduce spending on education

21 What would be a positive effect on the growth of an economy in the short run, if the government reduced a direct tax on individual earnings?

A Food prices would increase because of shortages.

B Imports of luxury cars would increase to satisfy a change in demand.

C Savings would increase because of additional disposable income.

D The consumption of domestically produced goods would increase.

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22 What is **not** a monetary policy measure?

A credit regulations for banks

B interest rate changes

C increased government subsidies

D money supply changes

23 The government has a macroeconomic objective of low unemployment. It has recently decreased interest rates.

What may limit the effectiveness of this tool in achieving the objective of low unemployment?

A a lack of productive capacity

B excess demand in the economy

C increased government spending on infrastructure

D low levels of welfare benefits

24 The table shows the ability of two countries, P and Q, to produce two goods, Y and Z.

	production of good Y per person	production of good Z per person
country P	1000	1600
country Q	1500	2000

Which statement is correct?

A P has an absolute advantage in Z and Q has a comparative advantage in Y.

B P has an absolute advantage in Z and Q has an absolute advantage in Y.

C P has a comparative advantage in Y and Q has an absolute advantage in Z.

D P has a comparative advantage in Z and Q has an absolute advantage in Y.

25 A trading country can produce two goods, X and Y. It specialises completely in the production of good Y.

What will be the opportunity cost to the country of consuming additional imports of good X?

A the additional imports of good X

B the increase in the resources required to produce good X

C the reduction in the domestic consumption of good Y

D the reduction in the resources available to produce good Y

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26 What are the terms of trade?

A the difference in value between a country's exports and imports

B the rate at which one currency can be exchanged for another

C the rate at which tariffs can legally be applied to exports and imports

D the ratio of average export prices to average import prices

27 An Australian family purchases a holiday to New Zealand and an Australian mining company sells coal to China.

Four students, **A**, **B**, **C** and **D**, are asked where these transactions appear in the current account of Australia's balance of payments.

Which student is correct?

	holiday to New Zealand	coal to China
A	service export	good export
B	service export	good import
C	service import	good export
D	service import	good import

28 A government believes its current account deficit will be beneficial in the long run.

What is the most likely reason for this?

A Immigration has increased.

B It imports capital goods.

C It exports raw materials.

D It reduces unemployment.

29 A country has a freely floating exchange rate.

In which circumstance is it most likely to appreciate?

A A competitor trading country experiences a fall in the value of its currency.

B Increased administrative burdens are placed on companies within this country wishing to buy imports.

C There is a fall in demand for its exports.

D There is a fall in the level of its rate of interest.

30 A country has a current account deficit.

What would be classified as a protectionist measure to restore the current account to equilibrium?

A allow the exchange rate to appreciate

B increase income tax

C increase import tariffs

D increase the rate of interest

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