

Cambridge International AS & A Level

ECONOMICS

Paper 1 AS Multiple Choice

9708/11

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.

1 What is an example of a want rather than a need?

- A clothing
- B food
- C holiday
- D water

2 Which combination would occur for a demerit good?

	impact on the consumer	amount consumed
A	negative	over-consumed
B	negative	under-consumed
C	positive	over-consumed
D	positive	under-consumed

3 A school leaver decides to study for a degree in accountancy at university rather than take a job as a trainee accountant.

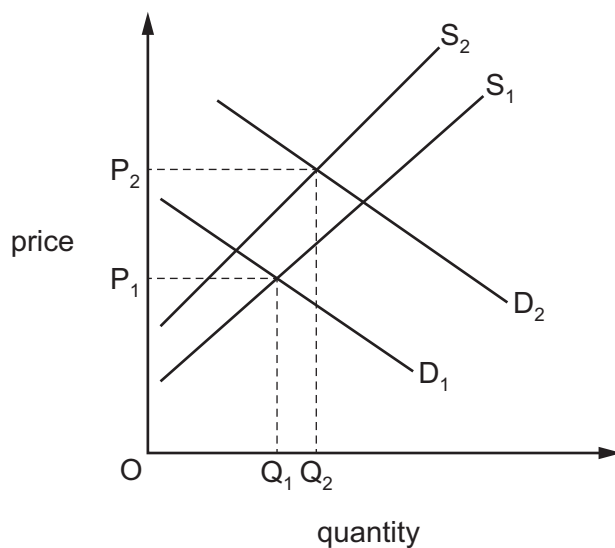
What will increase the opportunity cost of this decision?

- A A rise in students failing to complete accountancy degree courses.
- B A rise in the hours worked by trainee accountants.
- C A rise in the university tuition fees for accountancy degree courses.
- D A rise in the wage rate for trainee accountants.

4 Which statement is normative?

- A A minimum wage is the correct government policy to increase the incomes of the lowest paid workers.
- B A minimum wage is the lowest amount that employers can legally pay their workers.
- C In Pakistan, a minimum wage of 15 000 Pakistani rupees per month was set on 1 June 2016.
- D Setting the minimum wage rate above the equilibrium will result in an excess supply of workers.

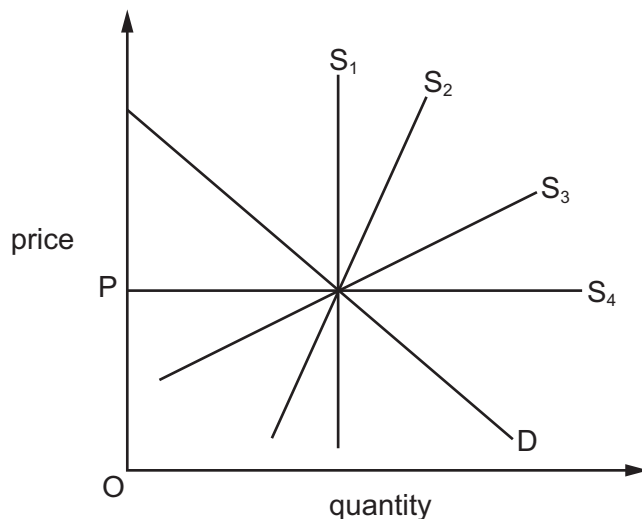
- 5 What will always increase when the production possibility curve (PPC) shifts outwards?
- A employment
 - B exports
 - C output
 - D productive capacity
- 6 What describes a market supply curve?
- A It is downward sloping.
 - B It is the same as the aggregate supply curve.
 - C It is the sum of all firms' supply curves for a product.
 - D It is the supply of all products within an economy.
- 7 The diagram shows the demand and supply curves of a normal good (X). Q_1P_1 is the initial equilibrium.



Other things being equal, what may cause the change in the market equilibrium to Q_2P_2 ?

- A a fall in household incomes and an increase in interest rates
- B a rise in workers' real wages in all sectors of the economy
- C an increase in income tax and a rise in the specific tax levied on X
- D an increase in the price of a substitute product for X and a fall in the costs of producing X

- 8 Which statement defines the income elasticity of demand?
- A It measures the responsiveness of income to a change in quantity demanded.
 - B It measures the responsiveness of income to a change in price.
 - C It measures the responsiveness of quantity demanded to a change in income.
 - D It measures the responsiveness of quantity demanded to a change in price.
- 9 What is **not** a factor affecting price elasticity of supply?
- A level of spare capacity
 - B price of complementary products
 - C resources available
 - D time period over which elasticity is measured
- 10 The diagram shows the market for a good that has an initial equilibrium price P.



The demand for the good increases by a fixed quantity at every price.

Which supply curve will leave the value of the consumer surplus unchanged?

- A S_1 B S_2 C S_3 D S_4

11 Doctors are concerned about the negative health effects of sugary drinks.

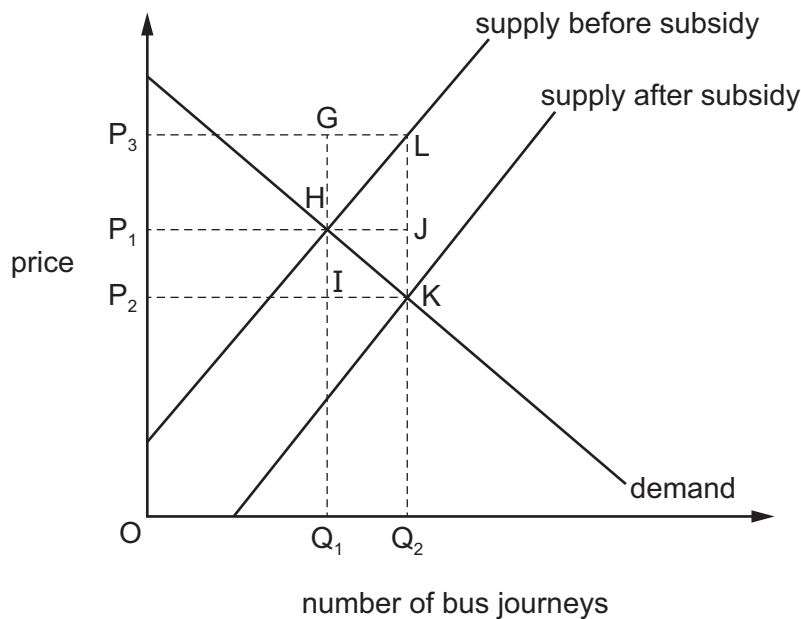
When would a tax on sugary drinks be **least** effective in improving health?

- A when the demand for sugary drinks is income elastic
- B when the demand for sugary drinks is income inelastic
- C when the demand for sugary drinks is price elastic
- D when the demand for sugary drinks is price inelastic

12 Which item would be included in the calculation of a person's wealth?

- A the dividend on shares owned by the person
- B the interest on the person's savings account
- C the value of the house owned by the person
- D the wages paid for the person's work

13 The diagram shows the market for bus services before and after a government subsidy.



Which area on the diagram shows the incidence of the subsidy for the consumer?

- A P_1HIP_2
- B P_1JKP_2
- C P_2IGP_3
- D P_2KLP_3

14 What is **not** a reason for government intervention in a market economy?

- A** discouraging the consumption of demerit goods
- B** overcoming information failure
- C** raising the provision of merit goods
- D** reducing competition in the economy

15 The market for good X is in equilibrium with 1000 units sold at a price of \$10. The government puts a specific tax of \$1 per unit on the producers of good X.

Which value for the price elasticity of demand for good X will generate the largest tax revenue?

- A** 0 **B** 0.5 **C** 1.0 **D** 1.5

16 Which adjustments are needed to change Gross Domestic Product (GDP) at basic prices to GDP at market prices?

	indirect taxes	subsidies
A	add	add
B	add	subtract
C	subtract	add
D	subtract	subtract

17 Nominal GDP of a country at current market prices was \$1000bn in year 1. In year 2, its nominal GDP had risen to \$1050bn.

What happened to real GDP if the general price level had increased by 10% over the same period?

- A** Real GDP decreased by approximately 5%.
- B** Real GDP decreased by approximately 10%.
- C** Real GDP increased by approximately 5%.
- D** Real GDP increased by approximately 10%.

18 What would be an injection into the circular flow of income?

- A** an increase in imports
- B** an increase in investment
- C** an increase in savings
- D** an increase in taxation

19 In which situation would an increase in consumption **not** cause an increase in real GDP?

- A** the current rate of GDP growth is less than the country's target rate
- B** the economy is experiencing low rates of inflation
- C** the economy is in recession
- D** the economy is operating at full capacity

20 The UK inflation rate as measured by the Consumer Price Index (CPI) was 5.2% in September 2011. In June 2014, the UK inflation rate as measured by the CPI was 1.6%.

What can be concluded about the period September 2011 to June 2014?

- A** Fixed income earners had increased purchasing power.
- B** Prices were falling.
- C** The rate of price increases was slowing.
- D** The real rate of interest became positive.

21 The table shows government revenue and expenditure of four countries as a percentage of GDP in 2000 and 2010.

Which country moved from a budget deficit position in 2000 to a budget surplus in 2010?

		revenue (% of GDP)		expenditure (% of GDP)	
		2000	2010	2000	2010
A	France	50.2	49.5	51.7	56.6
B	Norway	57.7	56.7	42.3	45.5
C	Sweden	58.7	52.4	55.1	52.5
D	Switzerland	35.2	34.0	35.6	33.8

22 Some countries experienced a recent decline in investment spending.

What might be done to stop such a decline?

- A** increase quotas on imports
- B** lower interest rates
- C** raise income tax
- D** set up training courses

- 23 What is a reason for a government policy that aims at achieving a low and stable rate of inflation?
- A Consumers are encouraged to increase spending on imports.
 - B Firms are encouraged to increase the level of production.
 - C The central bank is encouraged to increase the interest rate.
 - D The government is encouraged to increase the rate of income tax.
- 24 What is an objective of supply-side policy?
- A to shift the short-run aggregate supply (SRAS) curve to the left
 - B to shift the short-run aggregate supply (SRAS) curve to the right
 - C to shift the long-run aggregate supply (LRAS) curve to the left
 - D to shift the long-run aggregate supply (LRAS) curve to the right
- 25 What is most likely to improve the effectiveness of an expansionary fiscal policy in an economy?
- A a fall in consumer confidence
 - B a fall in the size of the labour force
 - C an increase in interest rates
 - D an increase in the money supply
- 26 Which measure would **not** be part of a government subsidy to protect domestic producers from competition?
- A import quotas
 - B interest-free loans provided by the government
 - C reductions in profits (business) taxes
 - D financial help given to local firms

- 27** The table shows different possible outputs of apples and bananas for country X and country Y assuming only two goods are produced and all resources are used to their maximum.

	apples		bananas
country X	100	or	80
country Y	50	or	25

Country Y decides to specialise in the production of the good in which it has a comparative advantage.

Country X decides to use 75% of its resources to produce the good in which it has a comparative advantage and 25% of its resources to produce the other good.

What will be the total output?

	apples	bananas
A	50	80
B	75	45
C	75	60
D	150	120

- 28** Why may a government introduce a floating exchange rate?
- A** it allows government more independence in policy making
 - B** it eliminates the instability of free markets
 - C** it gives firms more confidence in future costs and prices
 - D** it increases foreign exchange reserves

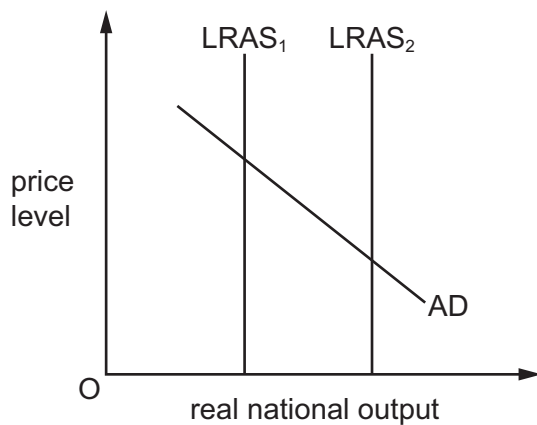
29 The table shows an extract from a country's balance of payments.

	credits (\$bn)	debits (\$bn)
trade in goods	250	300
trade in services	80	40
primary income	100	60
secondary income	20	25

What is the current account balance?

- A deficit of \$10bn
- B deficit of \$50bn
- C surplus of \$25bn
- D surplus of \$30bn

30 The diagram shows the aggregate demand (AD) curve and two long-run aggregate supply (LRAS) curves for an economy.



The government has reduced spending on welfare payments and increased spending on training for employment, so causing the shift from LRAS₁ to LRAS₂.

What is most likely to happen as a result of this policy?

- A An improvement in the current account of the balance of payments.
- B An increase in inflation.
- C An increase in the budget deficit.
- D An increase in unemployment.

BLANK PAGE

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (Cambridge University Press & Assessment) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in our Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge International Education is the name of our awarding body and a part of Cambridge University Press & Assessment, which is a department of the University of Cambridge.