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Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/11**

Paper 1 AS Level Multiple Choice **October/November 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 What is an example of a normative statement?

A Indirect taxes are cheap to collect.

B Indirect taxes are taxes on income.

C Indirect taxes are unfair.

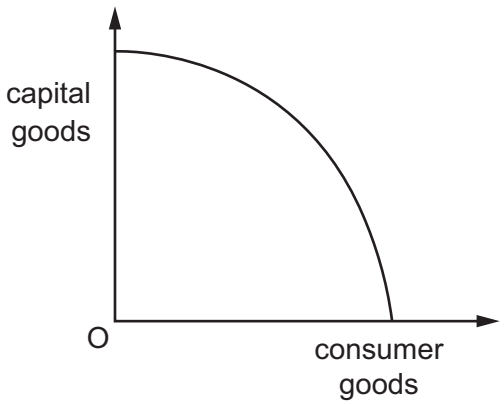
D Indirect taxes increase inequality.

2 A country with a market economy changes to a mixed economy.

When is this change likely to achieve the largest improvement in resource allocation?

	number of demerit goods in the country	Gini coefficient value for the country
A	many	0.4
B	many	0.7
C	few	0.4
D	few	0.7

3 The diagram shows a production possibility curve for an economy that produces capital goods and consumer goods.



Why is the production possibility curve drawn concave to the origin?

A Capital goods are a more labour-intensive output than consumer goods.

B Consumers always seek to maximise their satisfaction from consumption.

C Profit maximisation for firms always ensures efficiency in production.

D Some resources are more efficient in production of some goods than others.

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4 What is an example of a public good?

A A ferry that takes members of the public across a river.

B A fish farm that is owned by the government.

C A fishing boat that is owned by all members of a village.

D A lighthouse that warns boats of dangerous rocks.

5 Which merit good is likely to be under-consumed the most?

	level of imperfect information among consumers	subsidy received by producers
A	high	yes
B	high	no
C	low	yes
D	low	no

6 Which statement defines market equilibrium?

A when *ceteris paribus* no longer applies

B when quantity demanded equals quantity supplied

C when quantity demanded is equal to price

D when supply can no longer expand

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7 The curve in the diagram shows a relationship between the price and the quantity of a product. It has not been given a label.



What is an accurate description of the curve?

A a perfectly elastic demand curve

B a perfectly inelastic supply curve

C a relatively elastic supply curve

D a unitary elastic demand curve

8 Which statement is true if the income elasticity of demand for a good has a value of –0.2?

A When income rises less of the good is bought.

B When income rises more of the good is bought.

C When price falls more of the good is bought.

D When price rises less of the good is bought.

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9 The table shows the price of a good and total expenditure on the good during specific periods when the market is in equilibrium.

period	price ($)	total expenditure ($)
1	12	96 000
2	5	40 000
3	8	64 000
4	10	80 000
5	4	32 000

What can be deduced from this data?

A The good has constant opportunity cost.

B The good is an inferior good.

C The price elasticity of demand is equal to one.

D The price elasticity of supply is equal to zero.

10 What is an example of direct provision by a government?

A The government introduces a subsidy on renewable fuels to help the environment.

B The government introduces a unit tax on cigarettes to discourage consumption.

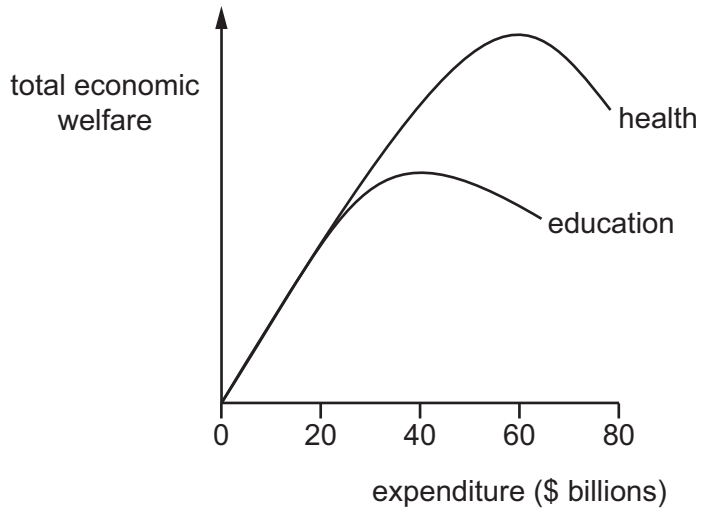
C The government sets a maximum rent on housing to protect tenants.

D The government takes over a private library to improve local services.

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11 The graph shows the total economic welfare derived by citizens from a government's expenditure on health and education services.



If the government has $60 billion of its budget to allocate between health and education services, which allocation will give its citizens the highest level of welfare?

	health spending ($ billions)	education spending ($ billions)
A	0	60
B	20	40
C	40	20
D	60	0

12 A government gives a subsidy to a producer of a product.

What will be the likely effect of this?

A a shift to the left in the demand curve and a rise in equilibrium quantity

B a shift to the left in the supply curve and a rise in equilibrium quantity

C a shift to the right in the demand curve and a fall in equilibrium price

D a shift to the right in the supply curve and a fall in equilibrium price

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13 What would be included in a measure of wealth?

A annual income

B benefits and pensions

C interest earned on savings

D savings held in bank accounts

14 Why might a government introduce a minimum price for a product?

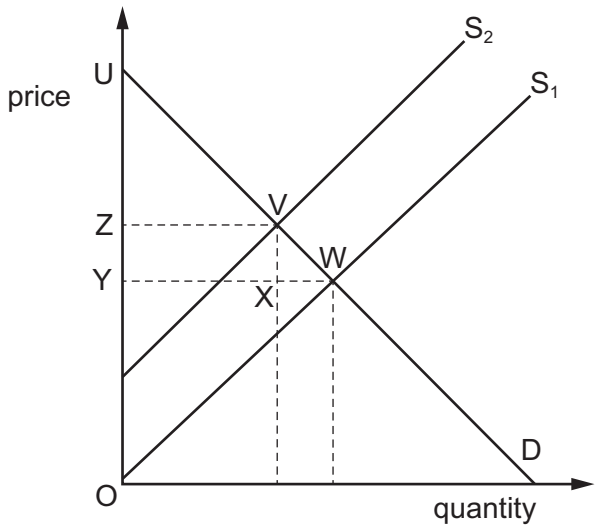
A to benefit poorer consumers

B to encourage consumption of a merit good

C to encourage production of a public good

D to support the incomes of producers

15 An indirect tax is imposed on a product.



What is the change in consumer surplus?

A UWY **B** UVZ **C** ZVWY **D** ZVXY

16 The table shows selected statistics for a country.

	$bn
gross domestic product at market prices	600
indirect taxes	100
subsidies	50

What is the value of gross domestic product at basic prices?

A $500bn **B** $550bn **C** $650bn **D** $700bn

17 GDP of a country measured at current market prices was $1000bn in year 1. This had risen to $1100bn in year 2.

Over the same period the general price level had risen by 5%.

What has happened to real GDP?

A Real GDP fell by approximately 5%.

B Real GDP fell by approximately 10%.

C Real GDP rose by approximately 5%.

D Real GDP rose by approximately 10%.

18 A government spends money to provide an education for students.

Which type of spending is capital expenditure?

A computers for classrooms

B grants for university students

C rent for school buildings

D wages for teachers

19 What is an example of fiscal policy aimed at increasing aggregate demand in an economy?

A increasing expenditure by firms on skills training programmes for unskilled workers

B increasing the commercial banks' lending ability

C reducing the rate of income tax for all income earners

D reducing the rate of interest on loans to manufacturing companies

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20 The aggregate demand (AD) curve in an economy shifts to the left.

What is most likely to cause this shift?

A a decrease in the exchange rate

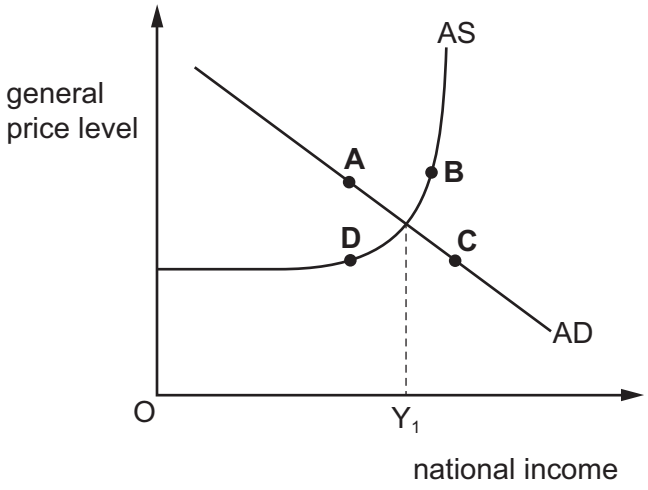
B a decrease in the interest rate

C an increase in the budget deficit

D an increase in the current account deficit

21 The diagram shows the AD and AS curves for a low income country. Oil and gas make up 90% of its exports. The initial equilibrium level of national income is Y_1.

What is the most likely new equilibrium point if the worldwide prices of oil and gas rise dramatically?



22 What is **not** a government macroeconomic policy objective?

A economic growth

B income equality

C low unemployment

D price stability

23 A central bank increases interest rates to reduce inflation.

When will this policy be most likely to succeed?

A When household spending is inelastic in response to interest rate changes.

B When the country has a floating exchange rate that appreciates.

C When the government has an increasing budget deficit.

D When trade unions demand higher wages to protect the living standards of their members.

24 A government reduces its expenditure on workplace training, increases the level of indirect taxes and reduces the rate of interest it pays on government debt.

How would these government macroeconomic policies be categorised?

	supply-side	fiscal	monetary	
A	con	con	exp	key
B	exp	con	con	con = contractionary
C	con	exp	exp	exp = expansionary
D	exp	exp	con	

25 The government of a country reduces its budget deficit by cutting government spending. At the same time, the central bank raises the interest rates.

When might this combination of policies be used?

	inflation rate	unemployment rate
A	high	high
B	high	low
C	low	high
D	low	low

26 A country's currency depreciates in terms of other currencies.

What would be a consequence of this depreciation?

A There would be a decrease in structural unemployment.

B There would be a decrease in the volume of exports.

C There would be an increase in cost-push inflationary pressure.

D There would be an increase in the budget deficit.

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27 The terms of trade of a developing country fell from 90 in 2010 to 80 in 2015.

Assuming the index of its import prices remained constant at 110 between these two years, what happened to its index of export prices?

A fell by 10

B fell by 11

C increased by 10

D increased by 30

28 What is **not** a limitation of the theory of comparative advantage?

A the movement of factors of production between countries

B governments' imposition of trade restrictions

C one country being more efficient in the production of all goods

D transport costs outweighing any comparative advantage

29 What would **not** be included in the current account of the balance of payments?

A income earned outside the country that is transferred into the country

B value of food and raw materials produced and consumed within the country

C value of food and raw materials that are exported

D value of telecommunications services that are imported

30 A country has a current account deficit on its balance of payments. The government also has a budget deficit.

Which measure to reduce the current account deficit will increase the budget deficit?

A depreciating the exchange rate

B introducing quotas on imports

C raising tariffs on imports

D subsidising exports

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