



Cambridge International AS & A Level

ECONOMICS

9708/12

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.

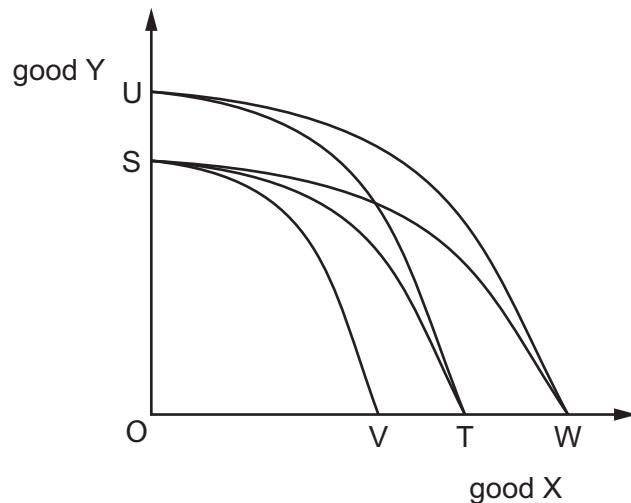
This document has **12** pages.

- 1 What is an example of a normative statement?
- A Government expenditure is an injection into the circular flow of income.
 - B Government expenditure in India in 2022 was 29% of gross domestic product.
 - C The best policy measure to reduce inflation is a reduction in government expenditure.
 - D The United States of America is the country with the highest military expenditure.
- 2 A public good must both be non-rivalrous in consumption and have the characteristic of non-excludability.
- Which situation meets both of these conditions?
- A a former nationalised rail network which has been privatised
 - B a good that has an opportunity cost
 - C the building of a new toll road which charges all users the same toll
 - D the provision of street lighting which improves a locality
- 3 What is **not** a characteristic of a planned economy?
- A Consumers have limited influence on what is produced.
 - B Profit is the motive for increasing output.
 - C Resources are owned by the government.
 - D There is limited competition in the market.
- 4 A student chooses to study for a degree in engineering at university rather than take a job working as an apprentice engineer. The apprenticeship lasts five years and involves training while working.

What will decrease the opportunity cost of this choice?

- A a decrease in the wages paid to apprentice engineers
- B a decrease in the number of students studying engineering degrees
- C a decrease in the number of top grade engineering degrees awarded
- D a decrease in the length of an engineering apprenticeship to four years

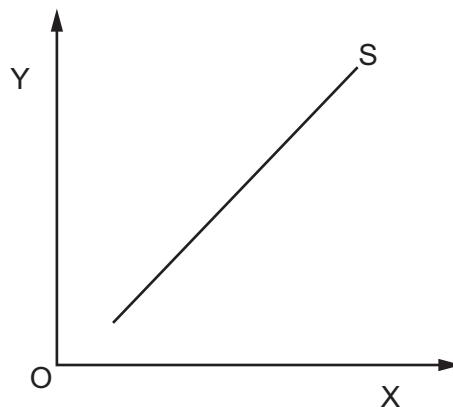
- 5 The diagram shows a production possibility curve (PPC) for a country that produces two goods, X and Y. The initial PPC is given by ST.



What is the effect on the PPC when the productivity of workers producing good X increases?

- A The PPC shifts from ST to SV.
 B The PPC shifts from ST to SW.
 C The PPC shifts from ST to UT.
 D The PPC shifts from ST to UW.
- 6 What is consumer surplus?
- A the amount of a consumer's income less the amount paid in income tax
 B the amount of a consumer's income less the amount paid for goods and services
 C the amount of a consumer's income received in bonuses and overtime pay
 D the amount a consumer is willing to pay for a product less the amount actually paid

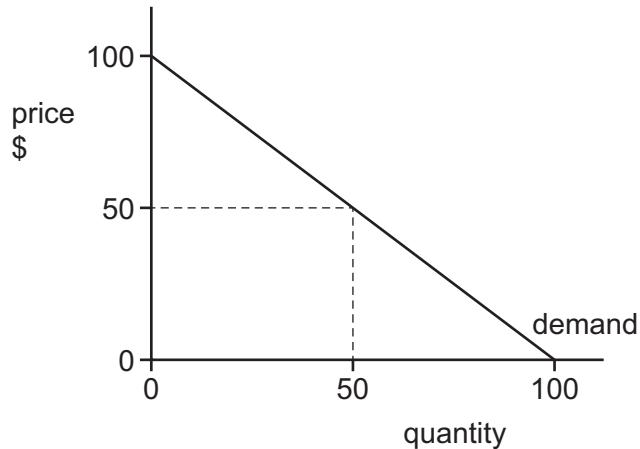
- 7 The diagram shows a market supply curve (S).



What is measured on the X-axis and the Y-axis?

	X-axis	Y-axis
A	quantity	income
B	quantity	price
C	price	income
D	income	quantity

- 8 The diagram shows the demand curve for a product.



What is the price at which the price elasticity of demand is unit elastic?

- A \$0
- B \$50
- C \$100
- D every price along the demand curve

- 9 Public transport in an economy has an income elasticity of demand of -0.36 .

What does this mean about public transport?

- A It is an inferior good.
- B It is a necessity.
- C It is a normal good.
- D It has close substitutes.

- 10 Which type of good is most suitable for a successful buffer stock scheme?

	easy to produce	cheap to store	perishable
A	yes	yes	yes
B	yes	no	no
C	no	yes	no
D	no	no	yes

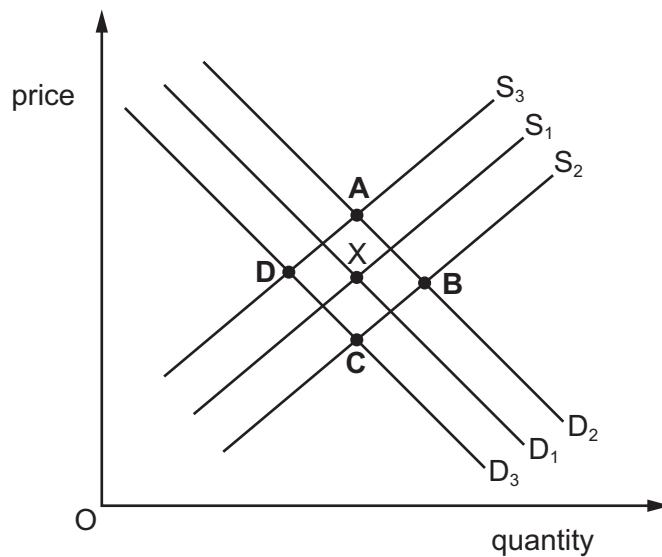
- 11 The demand for electric vehicle batteries is derived from the demand for electric vehicles. To tackle climate change, a government subsidises producers of electric vehicles.

What are the likely effects of this subsidy on the price and sales of electric vehicle batteries?

	price	sales
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

- 12 The diagram shows the market for a demerit good. The initial equilibrium is at point X.

What will be the new equilibrium if the government imposes a unit tax on this demerit good and successfully informs consumers of its harmful effects?



- 13 To improve the health of people, a government puts a tax on the sale of drinks that contain sugar.

What are the likely effects of this tax on **both** the prices of the drinks that contain sugar and the price of sugar?

	prices of drinks	price of sugar
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

- 14 The income Gini coefficient of a country changes from 0.29 to 0.33 over time.

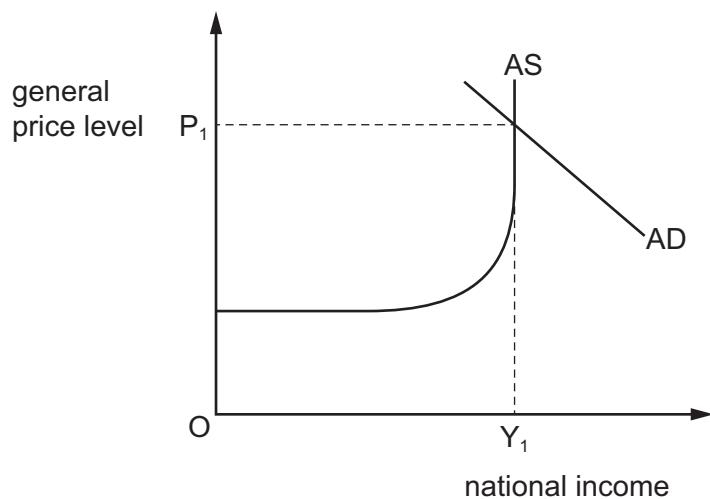
What might explain this change?

- A an increase in food and energy subsidies
- B an increase in structural unemployment
- C an increase in the national minimum wage
- D an increase in the top rate of income tax

15 What is an example of an injection into the circular flow of income in an open economy?

- A consumer spending on goods
- B expenditure on a government construction project
- C spending by households on holidays abroad
- D repayment of loans to commercial banks

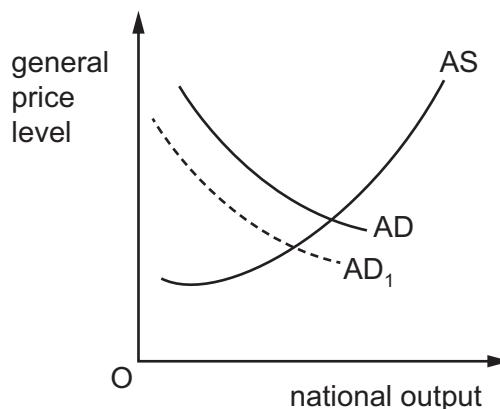
16 The diagram shows the AD and AS curves for a country. The equilibrium level of national income is Y_1 and the general price level is P_1 .



What is the most likely effect on employment and the general price level of a small decrease in government expenditure?

	employment	general price level
A	falls	falls
B	falls	unchanged
C	unchanged	falls
D	unchanged	unchanged

- 17 The diagram shows aggregate demand and aggregate supply curves for an economy.



What would cause a change in the aggregate demand from AD to AD₁?

- A government campaigns to encourage household savings
 B consumption of domestic instead of foreign goods
 C a decrease in the budget surplus
 D investment in knowledge-based enterprises
- 18 A government reduces the benefits that it pays to unemployed workers to increase the incentive to work.

Which types of macroeconomic policies are being used?

	fiscal policy	monetary policy	supply-side policy
A	✓	✗	✗
B	✓	✓	✗
C	✓	✗	✓
D	✗	✗	✓

- 19 A central bank is asked by the government to help achieve price stability.

If inflation rises steeply, which policy will **not** be directly within the control of the central bank?

- A increasing the rate of interest to reduce consumer spending
 B managing a reduction of the money supply
 C using credit restrictions to regulate lending by commercial banks to households
 D restricting wage increases in the private and public sectors

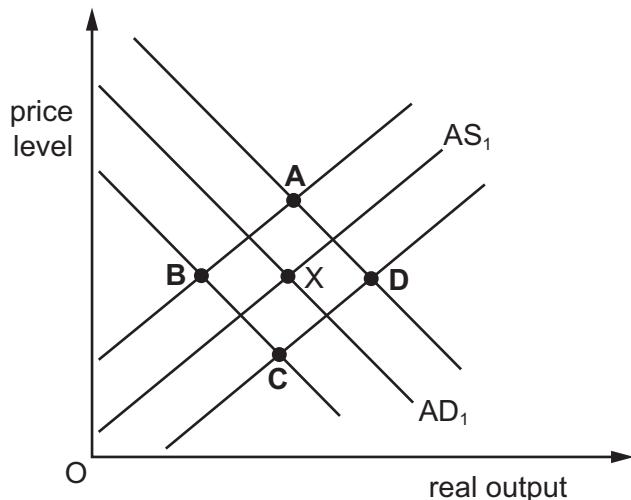
- 20 What is **not** a likely reason for a government having the objective of economic growth?
- A to improve living standards
 - B to improve business confidence
 - C to increase inflationary pressures
 - D to increase consumer choice
- 21 What is an example of expansionary monetary policy?
- A the central bank increasing the money supply
 - B the central bank causing an appreciation of the country's foreign exchange rate
 - C the central bank increasing controls on credit lending
 - D the central bank increasing the minimum lending rate of interest
- 22 What is the effect of an increase in the money supply on the interest rate and the aggregate demand (AD) curve?
- | | interest rate | AD curve |
|---|---------------|--------------|
| A | falls | shifts left |
| B | rises | shifts left |
| C | falls | shifts right |
| D | rises | shifts right |
- 23 A country has a target rate of inflation of 2.5% and has recently experienced the actual rate rising to 6%, with unemployment falling to very low levels.
- Which policy option is most likely to be implemented?
- A an increase in government expenditure on training
 - B an increase in indirect taxes on demerit goods
 - C an increase in import tariffs
 - D an increase in interest rates

- 24 What is the most likely reason for a government to introduce a progressive tax?
- A to discourage the consumption of a particular good
 - B to distribute disposable income more evenly
 - C to increase the disposable income of households
 - D to reduce demand for healthcare services
- 25 What is the **least** likely consequence of rapid economic growth?
- A high levels of pollution
 - B large deficit on the current account of the balance of payments
 - C large deficit in the government's budget balance
 - D more congestion on the roads
- 26 A country with a floating exchange rate has a large deficit on the current account of the balance of payments.
- What is most likely to decrease as a consequence of this deficit?
- A competitiveness of the country's products
 - B level of employment in the country
 - C prices of exports from the country
 - D rate of inflation in the country
- 27 What will definitely lead to an improvement in the terms of trade?
- A Export prices fall whilst import prices rise.
 - B Export prices rise by the same amount as import prices.
 - C Export prices rise slower than import prices.
 - D Export prices rise whilst import prices stay the same.

- 28 Between June and the end of July 2016, the UK pound sterling depreciated by 11% against a basket of currencies of the UK's major trading partners.

The diagram shows the original aggregate demand curve AD_1 and the original aggregate supply curve AS_1 for the UK economy before June 2016. The equilibrium is at X.

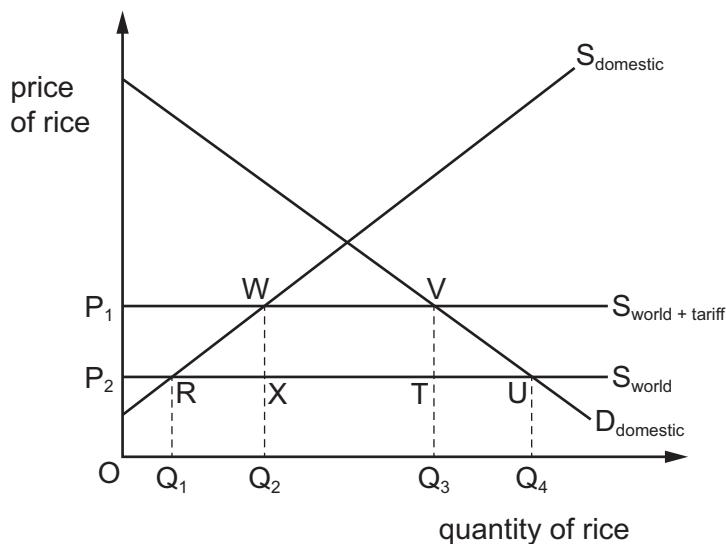
What would have been the new equilibrium for the UK economy as a result of the depreciation of the pound sterling?



- 29 What is the effect of a cut in a country's income tax rates on its exports and imports?

	exports	imports
A	fall	fall
B	fall	unchanged
C	unchanged	fall
D	unchanged	rise

- 30 The diagram shows the effect of a government removing the tariff on imports of rice into its country.



How would the removal of this tariff affect the consumer surplus and the government's revenue?

	consumer surplus	government revenue
A	increases by VUT	decreases by WVTX
B	increases by VUT	decreases by WVQ ₃ Q ₂
C	increases by P ₁ VUP ₂	decreases by WVTX
D	increases by P ₁ VUP ₂	decreases by WVQ ₃ Q ₂

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