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Cambridge Assessment International Education

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)

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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.

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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

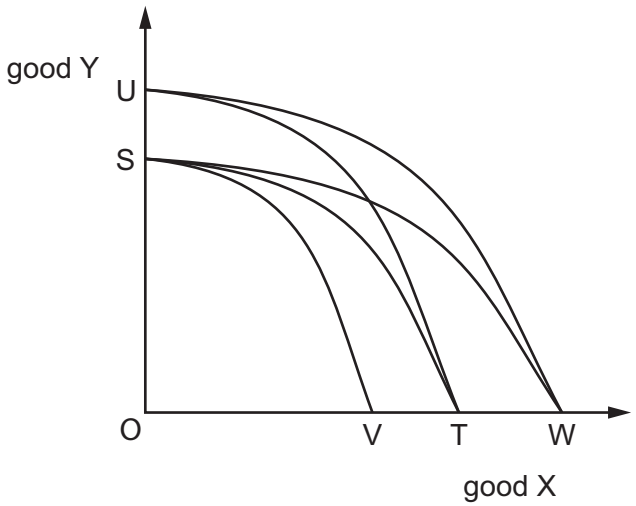
B a decrease in the number of students studying engineering degrees

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

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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

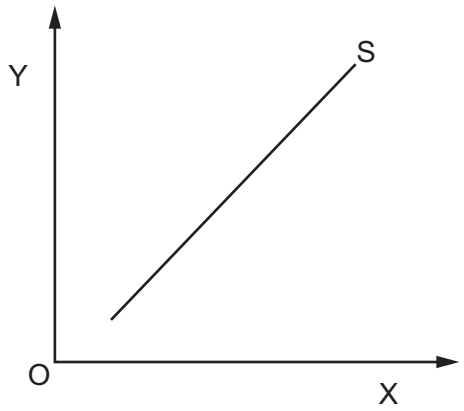
B the amount of a consumer's income less the amount paid for goods and services

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

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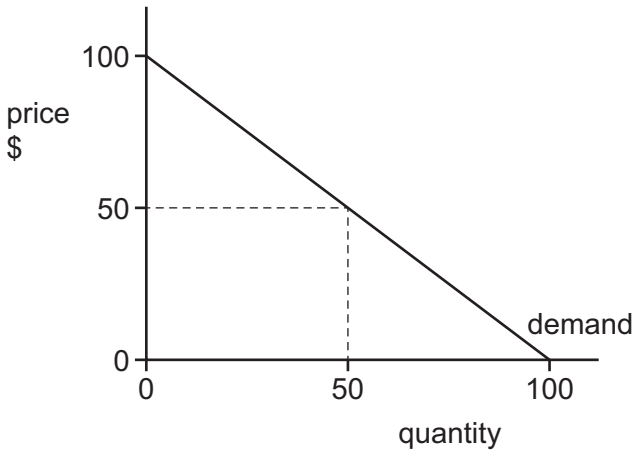
7 The diagram shows a market supply curve (S).



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

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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.

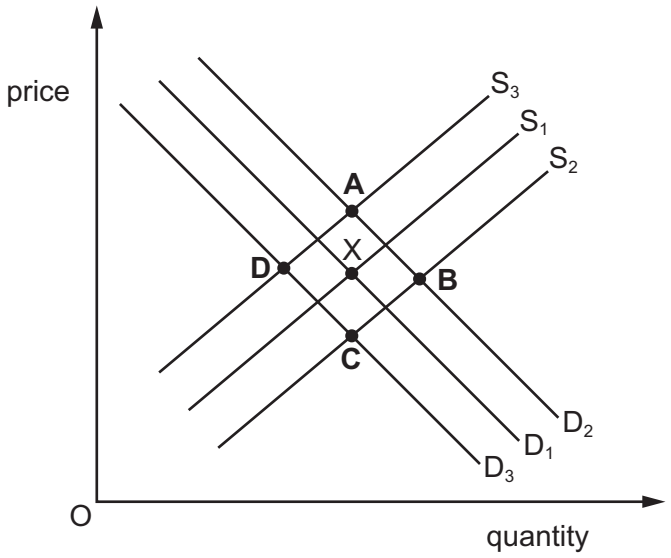
What are the likely effects of this subsidy on the price and sales of electric vehicle batteries?

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

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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?

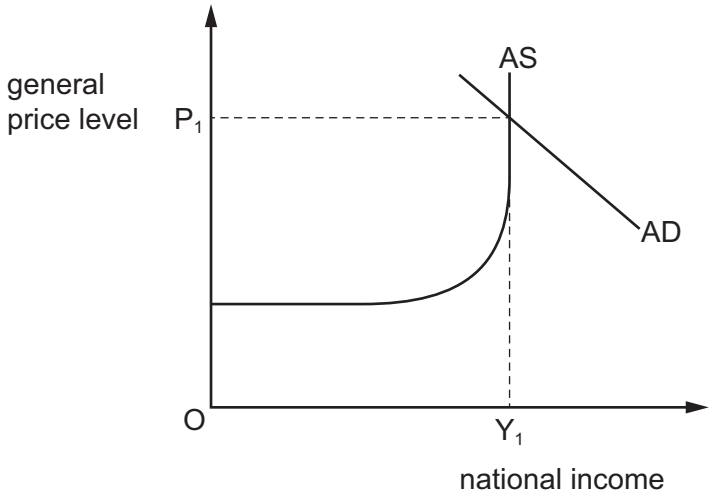
A consumer spending on goods

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.

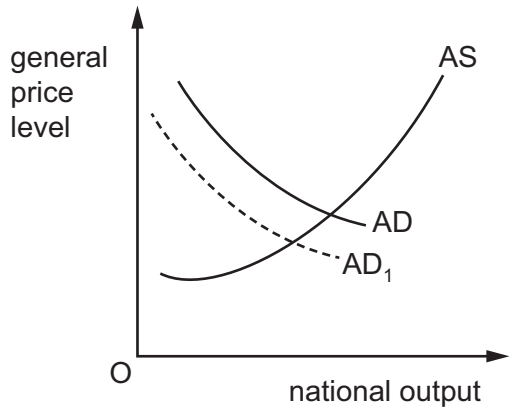


What is the most likely effect on employment and the general price level of a small decrease in government expenditure?

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

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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 AD_1?

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

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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

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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.

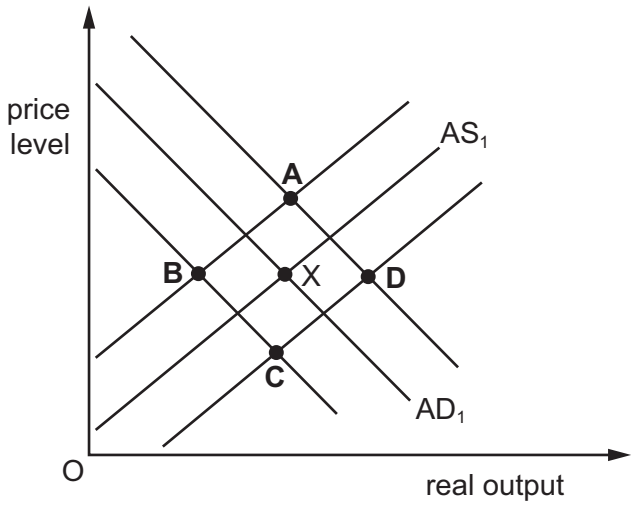
D Export prices rise whilst import prices stay the same.

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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.

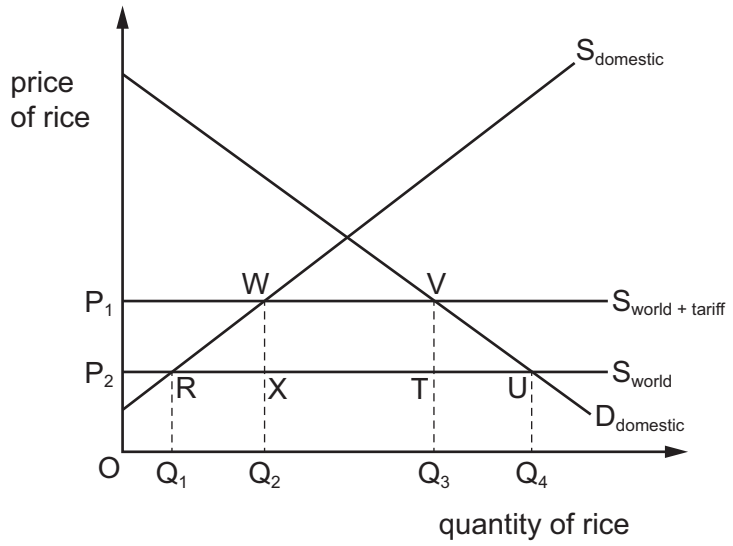
What would have been the new equilibrium for the UK economy as a result of the depreciation of the pound sterling?



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_3Q_2
C	increases by P_1VUP_2	decreases by WVTX
D	increases by P_1VUP_2	decreases by WVQ_3Q_2

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