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.
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- 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.

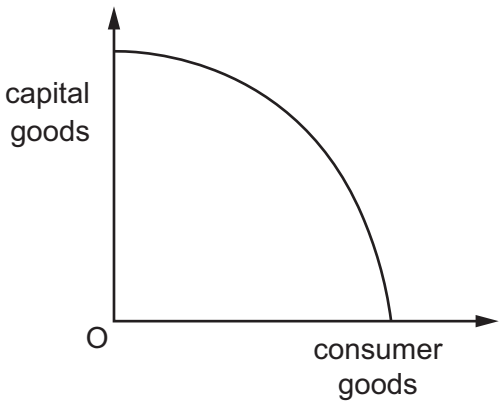
D Indirect taxes increase inequality.

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

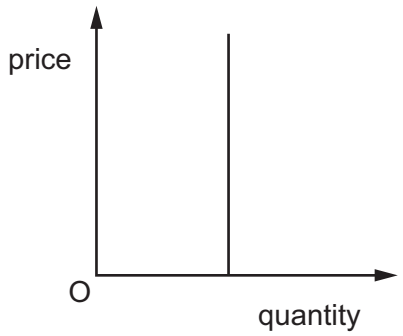
C when quantity demanded is equal to price

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.

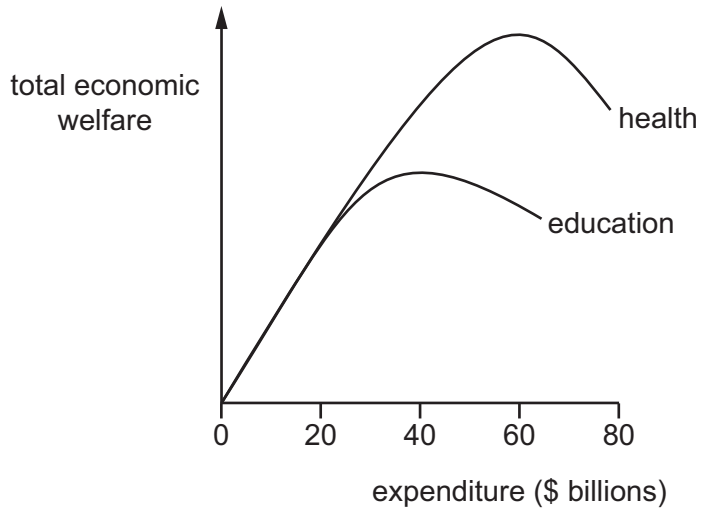
C The government sets a maximum rent on housing to protect tenants.

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

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[Turn over

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?

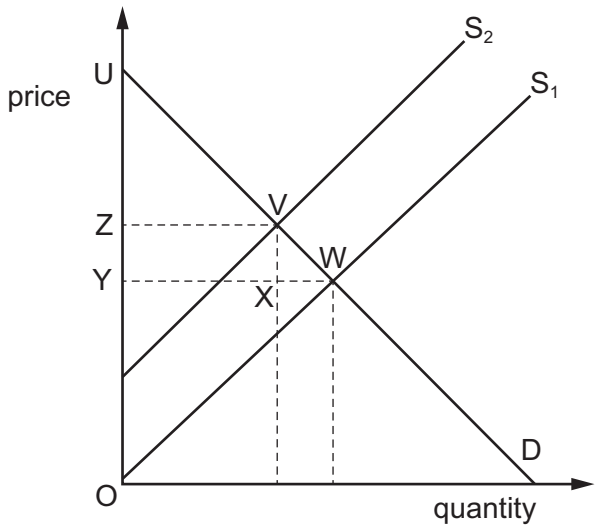
A to benefit poorer consumers

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

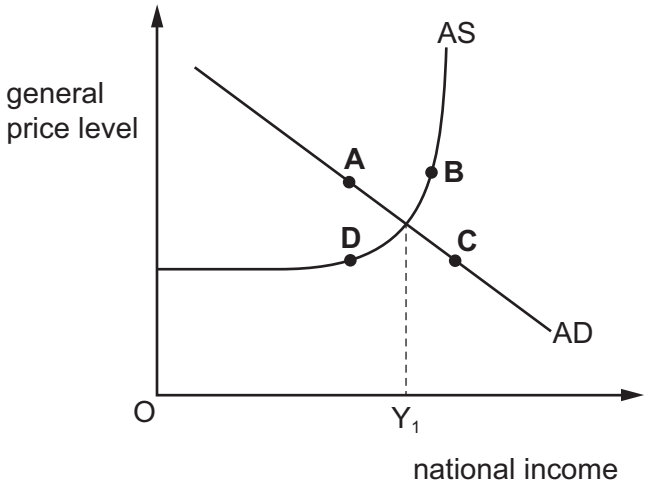
B a decrease in the interest rate

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

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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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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

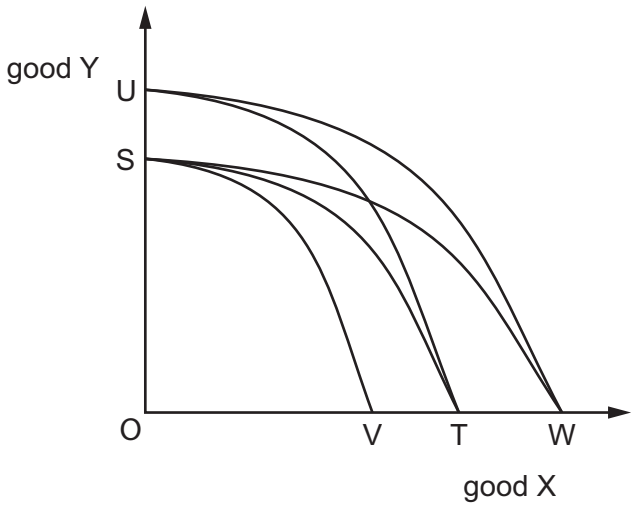
B a decrease in the number of students studying engineering degrees

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

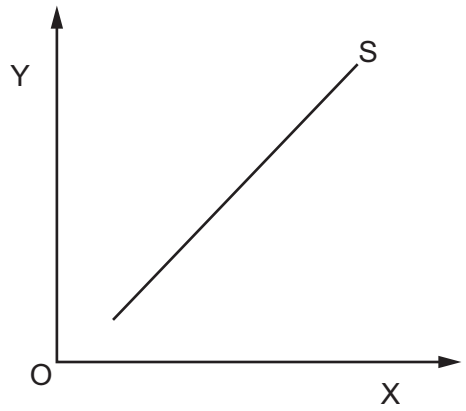
C the amount of a consumer's income received in bonuses and overtime pay

D the amount a consumer is willing to pay for a product less the amount actually paid

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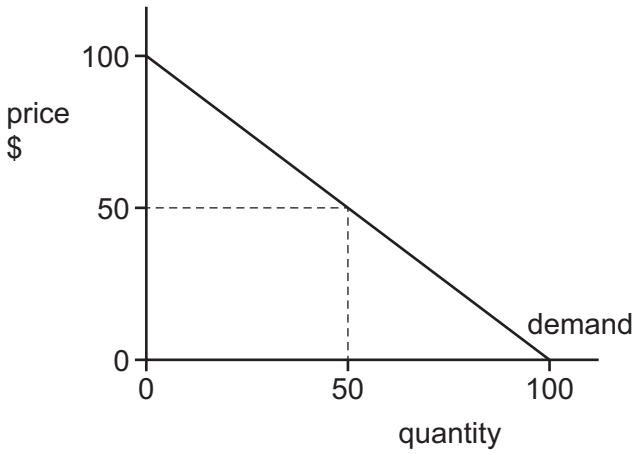
7 The diagram shows a market supply curve (S).



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?

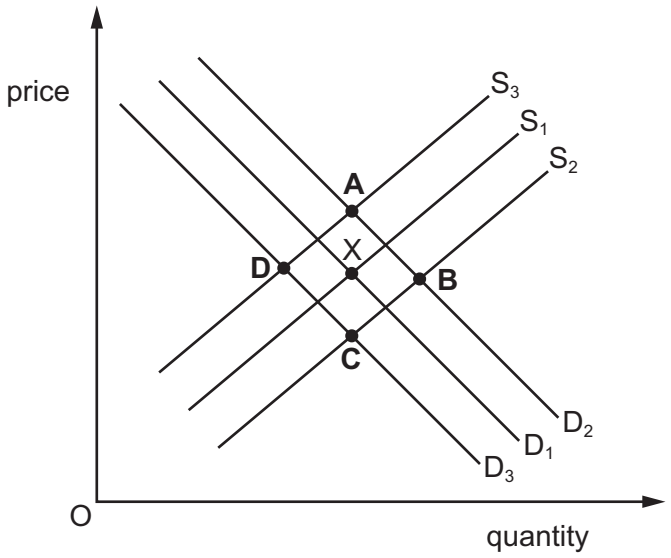
	price	sales
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

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[Turn over

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

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

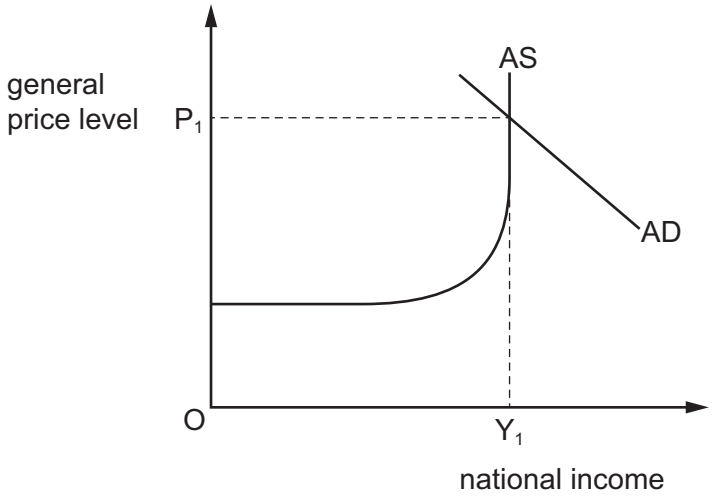
A consumer spending on goods

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.

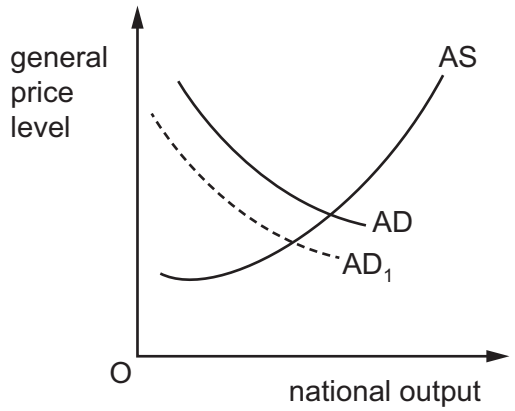


What is the most likely effect on employment and the general price level of a small decrease in government expenditure?

	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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[Turn over

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.

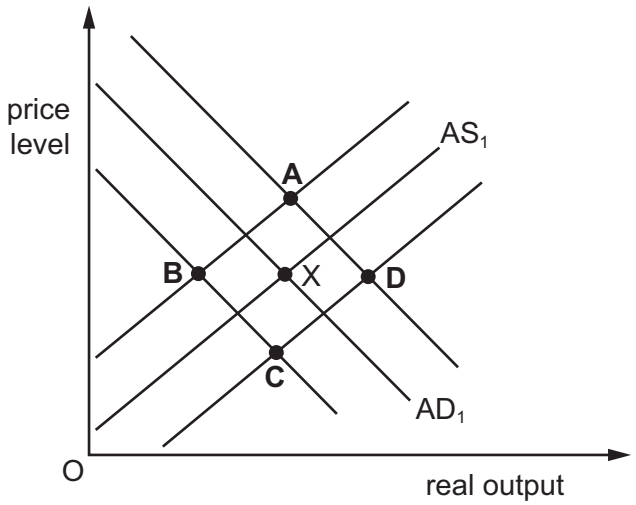
D Export prices rise whilst import prices stay the same.

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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?



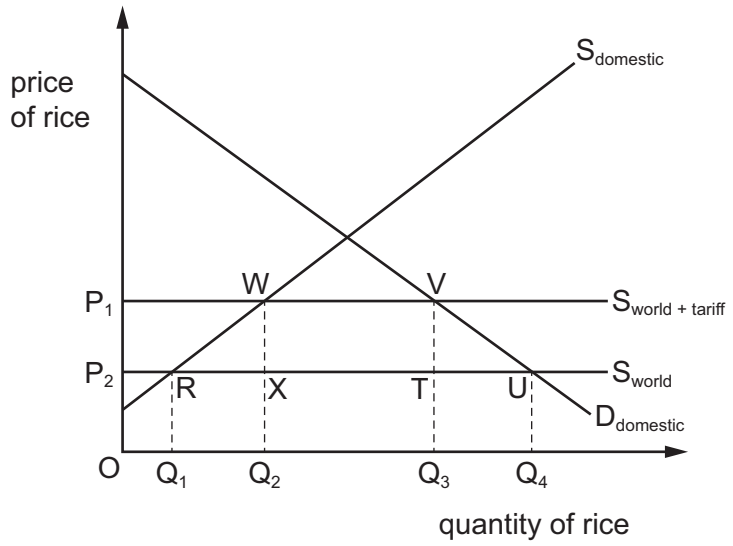
29 What is the effect of a cut in a country's income tax rates on its exports and imports?

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

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[Turn over

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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1 The following appeared in a newspaper article.

> 'The economies of the poorest nations have large international debts; the richest nations should cancel the debts of these nations and reduce poverty.'

What is the nature of each statement?

	poorest nations have large international debts	richest nations should cancel these debts to reduce poverty
A	normative	normative
B	normative	positive
C	positive	positive
D	positive	normative

2 What is meant by the division of labour?

A A process is split into a series of individual tasks.

B Some workers work part-time and others work full-time.

C The same amount of output per hour is produced by each worker.

D Wages are divided equally between workers.

3 What would be an opportunity cost of growth in an economy?

A the faster growth of services than of manufacturing

B the need for an increased level of imported raw materials

C the need for greater government intervention

D the reduction of consumption if growth requires investment

4 Which change in the way resources are allocated in an economy is consistent with moving from a planned economy to a market economy?

A A minimum price guarantee for apple producers is removed.

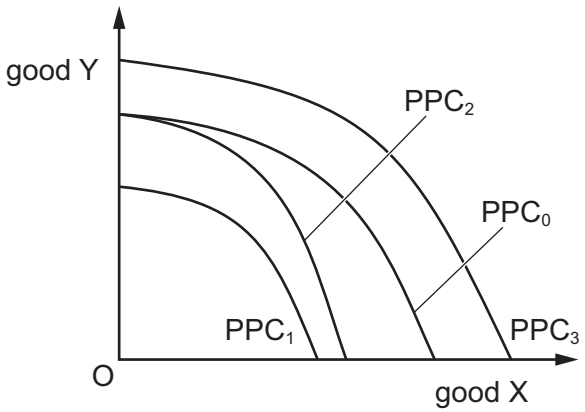
B A new government authority is established to monitor inefficiencies in apple production.

C The production of apples is subsidised to increase output.

D The sale of apples has a maximum price imposed.

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5 The diagram shows a production possibility curve (PPC) for an economy that produces two goods, X and Y. Both goods require labour to produce. The initial position of the PPC is at PPC_0.



What is the effect on the PPC following the emigration of a large number of workers?

A the PPC remains at PPC_0

B the PPC shifts from PPC_0 to PPC_1

C the PPC shifts from PPC_0 to PPC_2

D the PPC shifts from PPC_0 to PPC_3

6 A good is provided by the government. Consumption by one person does not affect the amount of the good available for others.

Which type of good must this be?

A complementary good

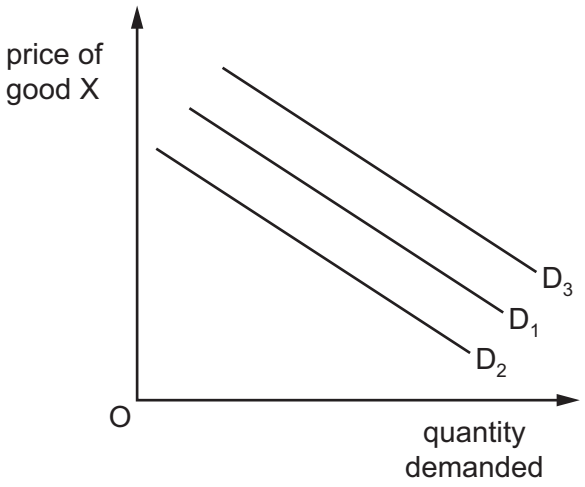
B merit good

C private good

D public good

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7 Market demand curves normally slope downwards. They may also shift from D_1 to either D_2 or D_3.



What would cause a movement along D_1 for good X and **not** a shift to either D_2 or D_3?

A advertising of good X increases sales

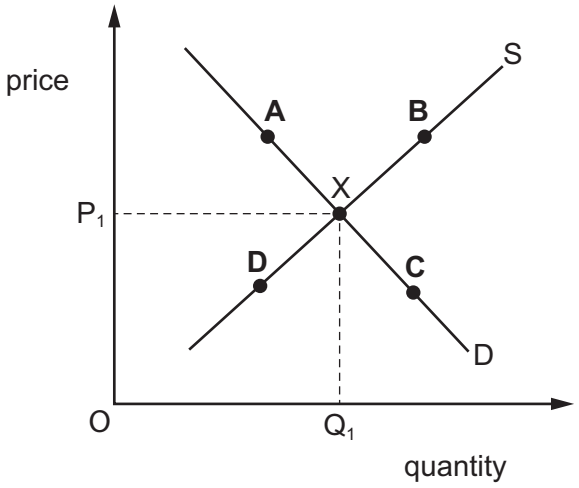
B consumer incomes rise

C the price of good X falls

D the prices of other goods fall

8 The diagram shows the demand curve and supply curve for broken rice that is considered to be an inferior good. The market is in equilibrium at point X with a price of P_1 and quantity of Q_1.

Which point is the new equilibrium if household incomes rise?



9 Good X has an income elasticity of demand (YED) value of −0.8. Its cross elasticity of demand (XED) with respect to good Y is also −0.8.

What are the characteristics of good X?

A a normal good that is a complement to good Y

B a normal good that is a substitute for good Y

C an inferior good that is a complement to good Y

D an inferior good that is a substitute for good Y

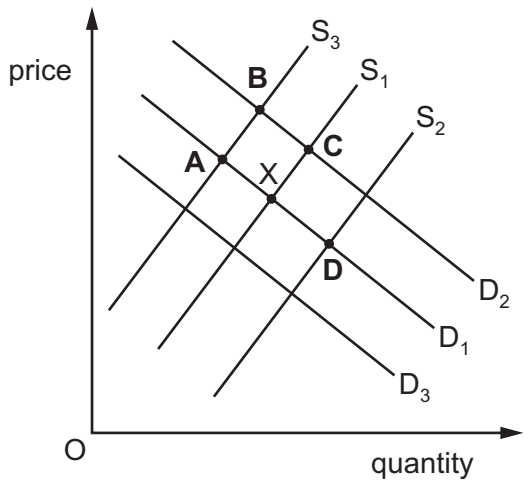
10 Four firms produce furniture. The table shows the price elasticity of supply (PES) for each firm.

If the price of furniture rises by 5% which firm would experience an increase in quantity supplied of 2.5%?

firm	PES for furniture
A	2.5
B	2.0
C	0.6
D	0.5

11 The diagram shows supply and demand for a good. The original equilibrium is X.

What will be the new equilibrium if subsidies are given to firms for new machinery?



12 The market for good X is in equilibrium when its price is $10. The government decides to set a maximum price for good X.

Which maximum price will cause the largest change in consumer surplus?

	maximum price for good X ($)
A	9
B	10
C	11
D	12

13 Assuming demand is price elastic, what will rise the most if an indirect tax is removed?

A consumer expenditures

B price of the product

C producers' revenues

D tax receipts

14 Which area of government spending is a transfer payment?

A spending on new road building

B spending on pensions to the elderly

C spending on buying new police cars

D spending on wages of teachers

15 A government provides a subsidy for a product with a perfectly price inelastic demand.

What prevents producers from benefiting from this subsidy?

A The subsidy causes a large reduction in the price of the product, as its price elasticity of demand is infinite.

B The subsidy causes a large reduction in the price of the product, as its price elasticity of demand is zero.

C The subsidy causes a small reduction in the price of the product, as its price elasticity of demand is relatively elastic.

D The subsidy causes a small reduction in the price of the product, as its price elasticity of demand is relatively inelastic.

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16 A government intervenes in the market for good X. It fixes a minimum price above the market equilibrium.

Which situation explains why the government would do this?

	good X	reason for intervention
A	demerit good	to decrease consumption
B	demerit good	to increase consumption
C	merit good	to decrease consumption
D	merit good	to increase consumption

17 The table below shows some national income statistics.

	$ billion
GDP at basic prices	300
Indirect taxes	20
Subsidies	4

What is GDP at market prices?

A $276bn **B** $284bn **C** $316bn **D** $324bn

18 Under which conditions will real Gross Domestic Product (GDP) grow the fastest?

	rate of change in nominal GDP (% per year)	rate of change in general price level (% per year)
A	0	–2
B	0	+2
C	+2	–2
D	+2	+2

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[Turn over

19 A government is planning to increase its expenditure on defence. Half of this expenditure will be on equipment such as planes and weapons which it will have to import as it does not produce this equipment domestically.

What is the initial impact on injections and leakages from the circular flow of income?

A The initial rise in injections is greater than the initial rise in leakages.

B The initial rise in injections is greater than the initial fall in leakages.

C The initial rise in injections is smaller than the initial rise in leakages.

D The initial rise in injections is smaller than the initial fall in leakages.

20 What might be a consequence of a fall in the domestic price level?

A imports become more competitive

B interest rates increase

C the purchasing power of savings falls

D the real value of incomes increases

21 A steel producer changes to electrically powered furnaces to reduce emissions of greenhouse gases. This results in a loss of jobs.

Which type of unemployment is caused?

A cyclical

B frictional

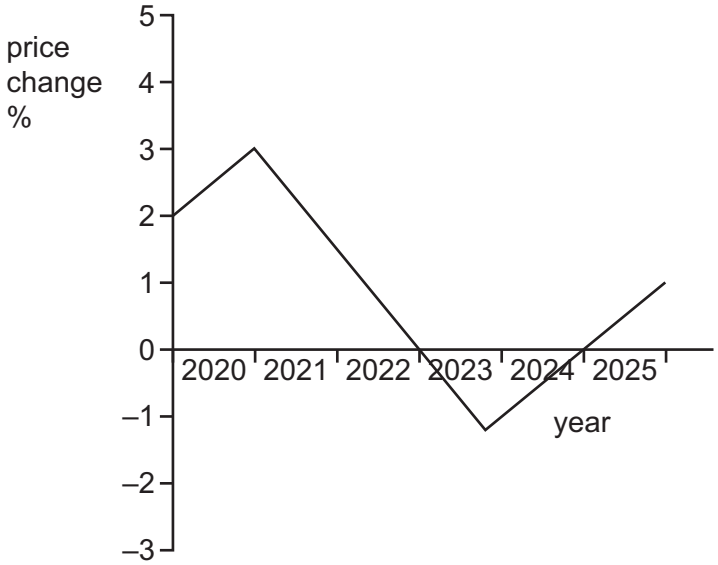
C seasonal

D technological

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22 The diagram shows changes in a country's price level over a number of years.

During which period of time did **only** disinflation occur?



A from the start of 2020 to the end of 2025

B from the start of 2021 to the end of 2022

C from the start of 2021 to the end of 2023

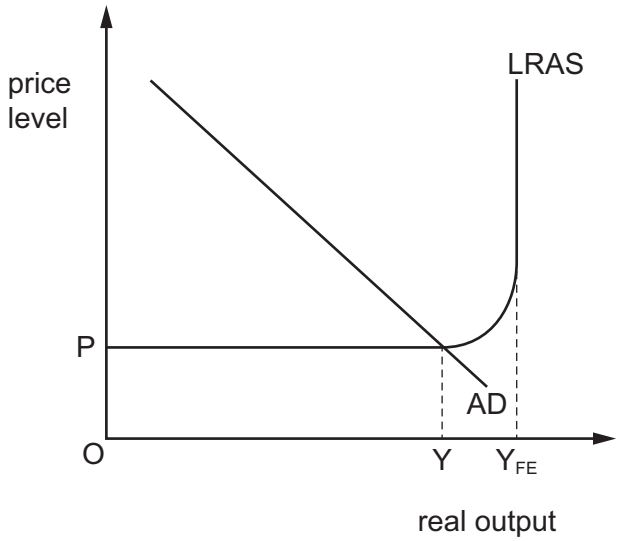
D from the start of 2023 to the end of 2024

23 A government increases the basic rate of income tax to finance additional spending on apprenticeships and training.

Which types of macroeconomic policy are being used?

	fiscal policy	monetary policy	supply side policy	
A	✓	✓	✓	key
B	✓	✓	✗	✓ = used
C	✓	✗	✓	✗ = not used
D	✗	✓	✓	

24 The diagram shows an economy in equilibrium with a real output of Y and a price level of P. The government aims to raise real output from Y to full employment (Y_{FE}) without increasing the price level in the long run.



Which fiscal policy change is most likely to achieve this aim?

A decreasing the rate of income tax

B decreasing spending on education

C increasing the level of sales tax

D increasing welfare benefit payments

25 A government reduced the tax on company profits from 28% to 20%.

Which statement best describes this policy?

A It is both a contractionary fiscal policy and a supply-side policy.

B It is both an expansionary fiscal policy and a supply-side policy.

C It is both an expansionary fiscal policy and an expansionary monetary policy.

D It is both an expansionary monetary policy and a supply-side policy.

26 Which policy is most likely to have a contractionary effect on national income?

A a reduction in income tax rates

B a reduction in interest rates

C an appreciation in the exchange rate

D an increase in government spending on transport infrastructure

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27 What is an example of primary income in the current account of the balance of payments of Pakistan?

A dividends received by a Pakistani resident from shares in a domestic firm

B profits of Pakistani businesses exporting goods

C rent received by a Pakistani resident from a property in another country

D salary received by a Pakistani engineer from a foreign-owned producer operating in Pakistan

28 What is meant by comparative advantage?

A One country can produce a product at a lower opportunity cost than another country.

B One country can produce more of a product than another country, using a given level of resources.

C One country has lower barriers to trade than another country.

D One country is making more efficient use of factors of production than another country.

29 An economy specialises in the production of one product. It exports this product to obtain another product.

Which type of diagram can show the combinations of these products?

A the production possibility curve

B the aggregate demand curve

C the principle of absolute advantage

D the trading possibility curve

30 The main export of country X is oil. The world demand for oil is price inelastic. The world supply of oil is reduced by the major oil producing countries, including country X. Imports into country X are unchanged.

What are the effects of this action by the major oil producing countries on the terms of trade and the current account of the balance of payments in country X?

	terms of trade	current account
A	increases	increases
B	increases	decreases
C	decreases	increases
D	decreases	decreases

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ECONOMICS **9708/14**

Paper 1 AS Level Multiple Choice **October/November 2025**

1 hour

You must answer on the multiple choice answer sheet.

8839439857

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 characterised as a free good?

A one that has zero opportunity cost

B one that is non-excludable and non-rivalrous

C one that is supplied by the government with no charge

D one that receives a 100% government subsidy

2 Which combination correctly identifies the rewards to each factor of production?

	capital	enterprise	labour	land
A	interest	profit	rent	wages
B	interest	profit	wages	rent
C	profit	interest	wages	rent
D	rent	wages	interest	profit

3 A government wants to move its economy away from central planning towards a market economy.

Which policy would be consistent with this aim?

A introduce tariffs on imported goods

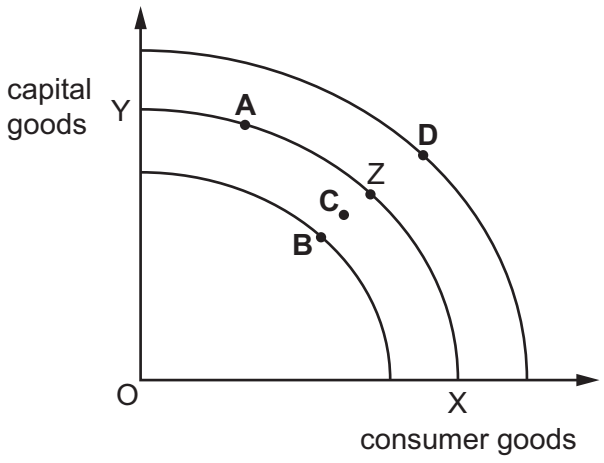
B privatise the ownership of electricity generation

C provide free education for primary school pupils

D reduce prices of foods such as wheat and rice

4 A country is currently producing at output Z on production possibility curve XY. Its annual economic growth rate is forecast to decline over the next ten years to 5% per year.

If the forecast is correct, which point represents its most likely economic output in 10 years?



5 Which statement about factors of production is correct?

A In the short run all factors are fixed; in the long run all factors are varied.

B In the short run at least one factor is fixed; in the long run all factors can be varied.

C In the short run at least one factor is varied; in the long run all factors are fixed.

D In the short run at least one factor is varied; in the long run at least one factor is fixed.

6 Which factor affects the price elasticity of supply of a product?

A availability of stocks

B percentage of income spent on the product

C price of substitutes

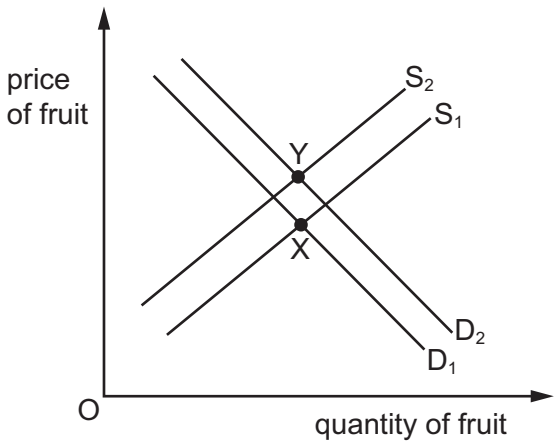
D wage rate

7 A firm sells 10 000 units of a product which has an estimated income elasticity of demand of –0.4.

If incomes have fallen by 10%, what is the new quantity demanded?

A 9000 **B** 9600 **C** 10 000 **D** 10 400

8 The diagram shows the market for fresh fruit in an economy. Fruit has a positive income elasticity of demand and is mainly imported. The original equilibrium is at X.



What is the most likely cause of the equilibrium point moving from X to Y?

A a fall in real income and a depreciation of the exchange rate

B a fall in real income and an appreciation of the exchange rate

C a rise in real income and a depreciation of the exchange rate

D a rise in real income and an appreciation of the exchange rate

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9 What is a major function of the price mechanism?

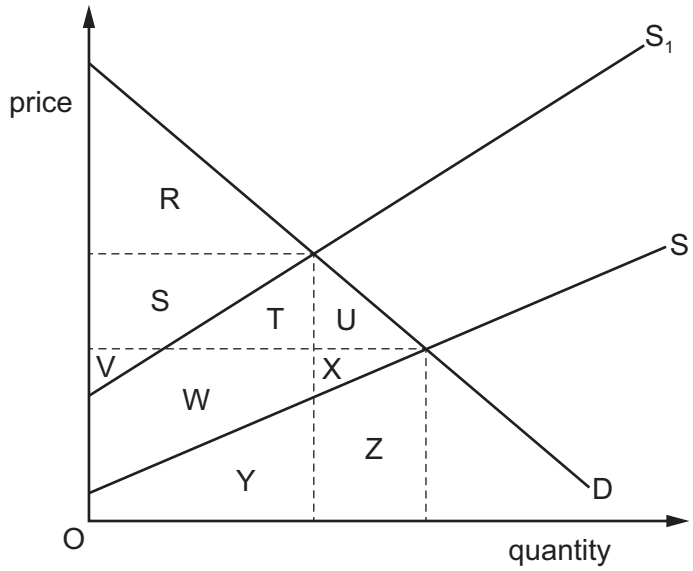
A providing incentives for government intervention to reduce income inequality

B removing shortages by creating incentives for market prices to fall

C removing surpluses by creating incentives for market prices to rise

D signalling changes in market conditions to producers and consumers

10 In the diagram, D and S represent the initial demand and supply conditions for a good.



Which row correctly represents the change in consumer surplus and producer surplus if supply shifts to S_1?

	consumer surplus	producer surplus
A	increases by U	increases by S + T + U
B	falls by S + T	falls by W + X
C	falls from S + T + U	falls by Y + Z
D	falls to R	falls to S + V

11 What is a characteristic of a public good?

A Households cannot accurately value the benefits of a good.

B Households cannot be excluded from consuming the good.

C The amount of the good available diminishes as households consume it.

D Households are rivals in the consumption of the good.

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12 A government imposes a specific indirect tax on a product that has an inelastic demand curve.

What is the incidence of tax in this case?

A The tax falls entirely on the consumer.

B The tax falls entirely on the producer.

C The tax falls to a greater extent on the consumer than on the producer.

D The tax falls to a smaller extent on the consumer than on the producer.

13 What is an example of direct public provision of goods and services?

A a charity hospital funded by public donations that offers free treatment to the rural poor

B a mobile government library that travels to rural villages offering access to books

C a private-sector pharmacy that provides treatment directly to the public

D a private school that offers free places to children of low income families

14 When is a minimum wage most likely to help reduce the problem of income inequality?

A Higher paid workers maintain pay differentials.

B Labour mobility is low.

C The informal economy is small.

D The minimum wage leads to increased unemployment.

15 What is **not** true about subsidies?

A They are paid to firms.

B They have to be paid back.

C They reduce the cost of production.

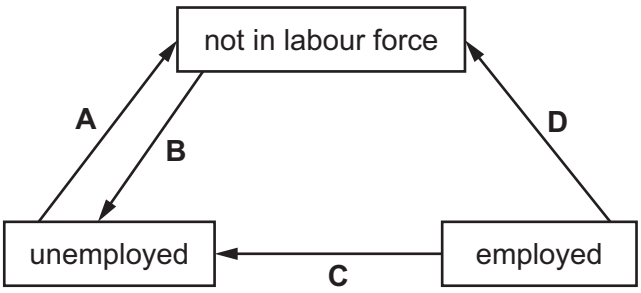
D They shift the supply curve to the right.

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16 The diagram shows three groups of people with four possible flows between them.

Which flow indicates that people have become discouraged from seeking work?



17 What is required to prevent a rising price level due to an increase in aggregate demand?

A Additional productive capacity must be created.

B Government investment must remain at a constant level to stabilise supply.

C Greater reliance must be placed on imported goods to overcome any domestic shortfalls.

D Wage rates must change more frequently to maintain levels of employment and output.

18 An open economy with a government is in equilibrium at a national income of $900 million.

Households spend $700 million and save $50 million.

Firms spend $100 million on investment.

The government spends $150 million and has a balanced budget.

How much is spent on exports and imports?

	export spending ($ million)	import spending ($ million)
A	100	100
B	100	50
C	50	100
D	50	50

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19 Which increase makes cost-push inflation **less** likely to happen?

A indirect tax rates

B raw material shortages

C the foreign exchange rate

D trade union power

20 When calculating national income by the income method, what would **not** be included?

A income from abroad

B profits of private sector businesses

C rent from the ownership of land

D transfer payments

21 What is an example of expansionary fiscal policy?

A an increase in income tax

B an increase in private sector investment

C an increase in spending on public goods

D an increase in the money supply

22 An economy has both increasing imported raw material prices and demand-pull inflation.

Which combination of policies is most likely to help its government achieve its macroeconomic objective of price stability?

	budget deficit	exchange rate	rate of interest
A	decreases	depreciates	decreases
B	decreases	appreciates	increases
C	increases	depreciates	decreases
D	increases	appreciates	increases

23 What is an example of a supply-side policy?

A an import quota to restrict the supply of goods

B a rise in interest rates to encourage the supply of savings

C a specific tax on the supply of goods to raise revenue

D a subsidy to businesses to promote the supply of training courses

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24 A worker earns $10 000 and pays $1000 in income tax.

Another worker earns $30 000 and pays $4500 in income tax.

A third worker earns $150 000 and pays $50 000 in income tax.

Which type of tax is this?

A indirect

B progressive

C proportional

D regressive

25 An increase in interest rates is an example of which type of policy?

A contractionary fiscal policy

B contractionary monetary policy

C expansionary monetary policy

D restrictive supply-side policy

26 For which government measure would both the outcomes shown be likely to benefit its economy?

	government measure	outcome 1	outcome 2
A	embargoes	protect against import of harmful materials	encourage illegal trade and corruption
B	export subsidies	give home producers a cost advantage	are a drain on government expenditure
C	import quotas	restrict volume of expensive imports	reduce balance of payments deficit
D	tariffs	protect some jobs by raising import prices	cause unemployment due to rising costs of imported raw materials

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27 The table shows the terms of trade for an economy expressed as an index number for the period 2019 to 2021.

year	terms of trade index (2018 = 100)
2019	101
2020	104
2021	109

What can be concluded from the table?

A The quantity of imports rose relative to the quantity of exports.

B The price of exports rose relative to the price of imports.

C The price of imports rose relative to the price of exports.

D The value of exports rose relative to the value of imports.

28 Which explanation for a country choosing to engage in international trade is **not** valid?

A Engaging in international trade enables the country to achieve a higher average standard of living.

B Other countries are more efficient at producing some goods.

C There are some products that the country cannot produce.

D The country has a comparative advantage in the production of all of its goods compared to other countries.

29 In which economic context is the term ‘protectionism’ usually applied?

A the protection of consumers against excessive prices

B the protection of employees against exploitation by multinational companies

C the protection of local producers against international competitors

D the protection of the foreign exchange rate against currency speculators

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[Turn over

30 Both the US and the EU operate in floating exchange rate markets.

The rate of exchange fluctuated greatly during the period shown.

year	US dollar–euro rate of exchange
2000	0.84 dollars per euro
2008	1.59 dollars per euro
2022	1.00 dollar per euro

What would explain the changes in the US dollar–euro rate of exchange?

A changes in the supply and demand for dollars and euros in the foreign exchange market

B continuous appreciation of the US dollar throughout the period

C continuous depreciation of the US dollar throughout the period

D restraints placed by trade agreements on the rate of exchange

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