CAMBRIDGE
International Education

Cambridge International AS & A Level

ECONOMICS **9708/12**

Paper 1 AS Level Multiple Choice **February/March 2026**

1 hour

4579933830

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 **not** a reward to a factor of production?

A interest

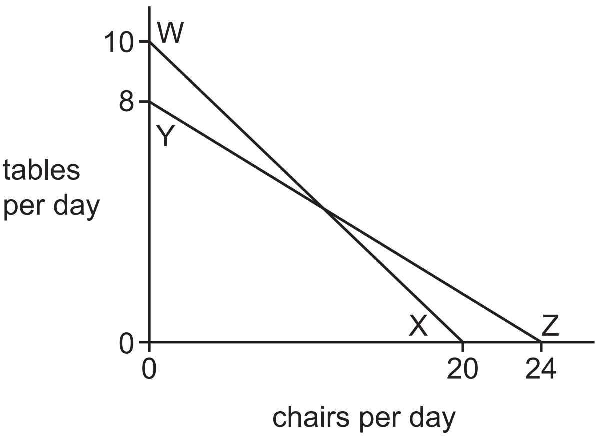
B rent

C transfer payments

D wages

2 A worker in a furniture factory currently works 10 hours a day. In the diagram, WX is the worker's initial production possibility curve (PPC).

Changes in the factory cause the worker's PPC to shift to YZ.



What will be the worker's hours per day and productivity as a result of the changes in the furniture factory, assuming the worker is on the new PPC?

	worker's hours per day	**worker's productivity**	
		tables per hour	**chairs per hour**
A	10	1.0	2.4
B	10	0.8	2.0
C	8	0.8	3.0
D	8	1.0	3.0

3 Why is choice central to the economic problem?

A Different governments have different objectives.

B Firms have access to unlimited resources.

C Most resources have alternative uses.

D People’s wants are limited.

4 Ravi is a public sector worker. He visits the subsidised state-owned cafeteria daily to purchase mangoes, apples and bananas for 80 rupees and then shares his food with Anushka.

What is the most likely classification of these goods?

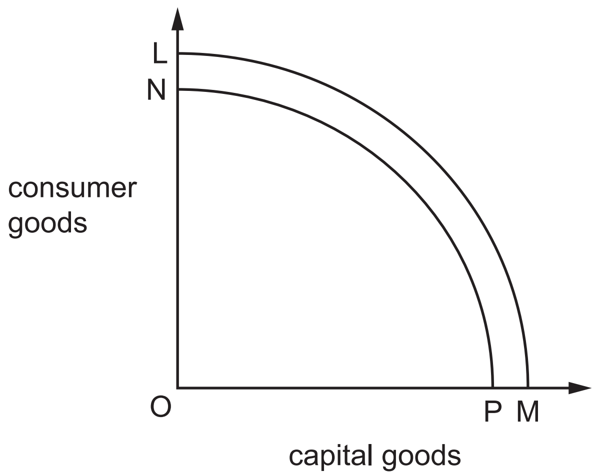
A demerit and public goods

B economic and public goods

C free and private goods

D merit and private goods

5 In the diagram the original production possibility curve is LM.



What could cause the curve to shift to NP?

A a fall in the working population

B a reallocation of resources from consumer goods to capital goods

C an increase in output per worker

D an increase in unemployment

6 What is cross elasticity of demand?

A the responsiveness of price of good X to a change in demand of good Y

B the responsiveness of quantity demanded of a good to a change in its price

C the responsiveness of quantity demanded of good X to a change in quantity of good Y

D the responsiveness of quantity demanded of good X to a change in the price of good Y

7 An increased demand for cars leads to an increased demand for steel.

What best describes this relationship between cars and steel?

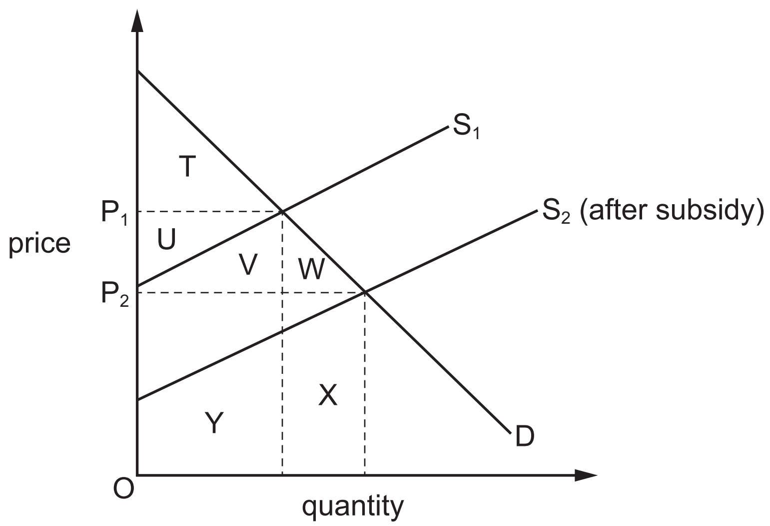
A substitutes

B complements

C derived demand

D joint supply

8 The diagram shows the demand for and supply of electric cars.



The government implements a subsidy for electric cars.

Which area represents the size of consumer surplus for those willing to buy an electric car when the price is P_2?

A T **B** TUVW **C** UVW **D** XY

9 How might a firm raise the value of the price elasticity of supply for its product?

A decrease the amount of labour that it employs

B employ new technology to increase its productive capacity

C increase advertising expenditure to generate more revenue

D reduce the level of stocks in order to cut costs

10 An economy is experiencing a fall in real GDP. Also, deflation has caused the prices of four goods, **A**, **B**, **C** and **D** to each fall by 5%.

Which good is likely to enjoy the largest increase in its sales revenue?

	income elasticity of demand	**price elasticity of demand**
A	+0.5	–1.5
B	+1.5	–1.0
C	–0.5	–1.0
D	–1.5	–1.5

11 What is the definition of a subsidy?

A A maximum price set by private sector firms lowering the costs of production.

B A minimum price set by the government lowering private sector firms' costs of production.

C A payment made by the government to private sector firms lowering their costs of production.

D The removal of laws and rules regulating private sector firms lowering the costs of production.

12 What is **not** a reason for greater inequality in the distribution of income in an economy?

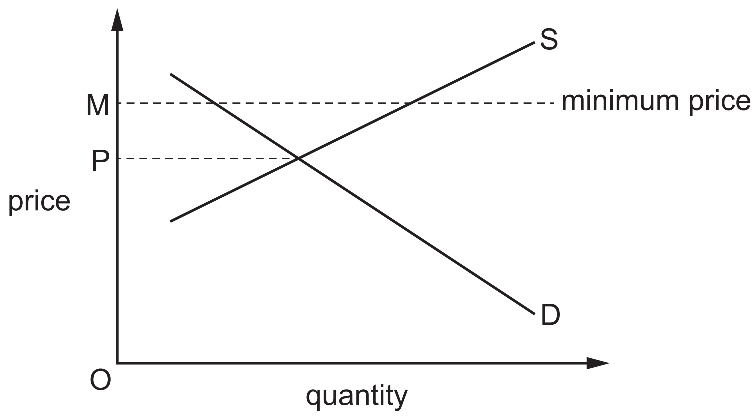
A a lack of employment opportunities

B decreased welfare payments

C increased progressive taxation

D poor vocational training

13 The diagram shows a market where a government has set a minimum price of OM.



What can be concluded from the diagram?

A At prices above OM, there would be a surplus of the good.

B At the minimum price OM, there would be a shortage of the good.

C Price will fall automatically from OM to OP.

D The minimum price will be ineffective.

14 Which type of road might be classified as a public good?

A A road bridge that charges a toll to cross.

B A road that is closed to traffic on some days.

C A road that is congested during peak times.

D A road that is used by very few vehicles.

15 Governments are trying to reduce the burden of transfer payments in economies with an ageing population.

Which policy would help to achieve this aim?

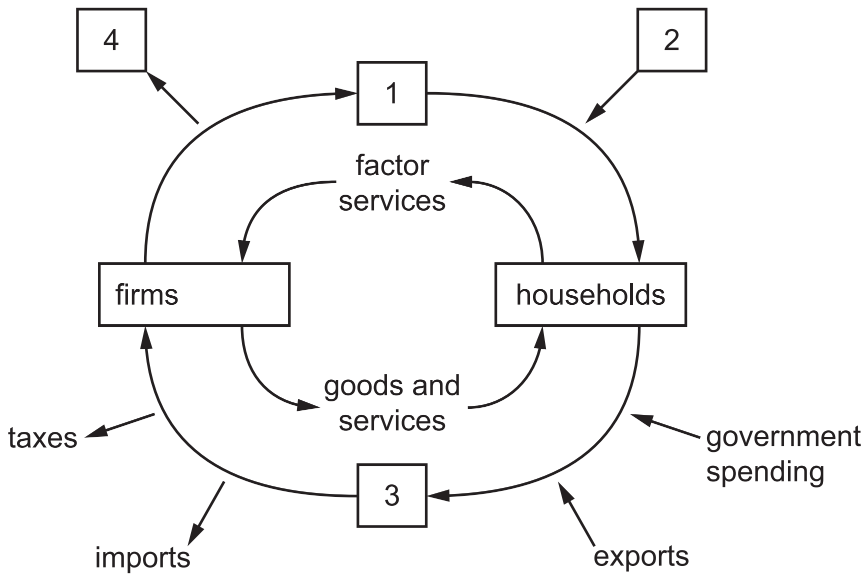
A introducing financial support for university students

B linking pension increases to the consumer price index during inflation

C raising the retirement age

D reducing state pensions to finance an equal rise in unemployment benefit

16 What do the numbers represent on the diagram?



	1	2	3	4
A	factor payments	saving	investment	consumer spending
B	factor payments	investment	consumer spending	saving
C	factor payments	consumer spending	saving	investment
D	saving	factor payments	investment	consumer spending

17 An individual was temporarily unemployed but found a job quickly.

Which type of unemployment is this?

A cyclical unemployment

B frictional unemployment

C seasonal unemployment

D structural unemployment

18 The table shows real GDP at basic prices for two countries.

	real GDP at basic prices (US$ billion)	**service sector as a percentage of real GDP**
country X	500	60
country Y	200	20

What is the most likely reason for the difference in real GDP between the two countries?

A Country X has a higher level of subsidies than country Y.

B Country X has a higher rate of inflation than country Y.

C Country X has higher spending on agriculture than country Y.

D Country X has a higher value of final output than country Y.

19 What will **not** shift the vertical part of the long run Aggregate Supply curve?

A a fall in factor prices

B immigration of skilled labour

C improved education and training

D technological advancement

20 The table below shows inflation data for an economy.

year	**rate of inflation %**
2021	3
2022	2
2023	–1
2024	0.5

Which statement is correct?

A disinflation occurred in 2022

B prices decreased between 2021 and 2024

C prices were at their lowest in 2023

D prices were higher in 2021 than in 2023

21 Which policy mainly deals with managing public finances?

A environmental policy

B fiscal policy

C monetary policy

D supply-side policy

22 What is **not** a supply-side policy measure?

A deregulating industry to encourage more competitive markets

B linking unemployment benefits to the obligation to look for work

C tackling cyclical slump by lowering interest rates

D tackling structural unemployment by giving grants for labour mobility

23 Monetary policy can be used to increase the level of business activity.

Which action illustrates this?

A curbing consumption through controls on credit

B easing credit regulations for banks to increase lending

C reducing government spending to achieve a budget surplus

D stimulating company investments by increasing interest rates

24 There is an increase in the income of individuals.

Which of the following shows a regressive tax system?

A The amount of income tax paid remains unchanged.

B The marginal income tax rate exceeds the average tax rate.

C The income tax rate remains unchanged.

D The income tax rate rises.

25 Which combination correctly classifies an expansionary fiscal policy measure and its impact on a budget deficit?

	fiscal policy measure	**budget deficit**
A	increased money supply	unchanged
B	increased welfare spending	increased
C	higher income tax	reduced
D	lower interest rates	unchanged

26 What would cause an immediate increase in the deficit in a country's current account balance on the balance of payments?

A a rise in government expenditure on education

B a rise in the cost of imported raw materials used in domestic production

C a rise in the foreign ownership of domestic companies

D a rise in the total wages earned by nationals working abroad

27 What must be true for a country whose Terms of Trade (TOT) deteriorate?

A Exports fall faster than imports.

B Export prices fall more slowly than import prices.

C Export prices rise more slowly than import prices.

D Domestic goods become less price competitive.

28 Countries X and Y both produce and trade in good Z.

What may cause a reduction in quantity supplied by domestic producers of good Z in country X?

A a quota on imports of good Z into country X

B a subsidy on exports of good Z from country Y

C a tariff on imports of good Z into country X

D extra regulations on imports of good Z into country X

29 To what is a depreciation of a currency's exchange rate most likely to lead?

A a decrease in inflationary pressures

B a decrease in the relative price of imports

C an increase in cyclical unemployment

D an increase in real GDP

30 A country does **not** trade in services.

The table shows selected balances from this country's current account of the balance of payments.

	$ billion
export of goods	+30
import of goods	–35
primary income	+7
secondary income	–4

What was the balance on the current account of the balance of payments?

A +$2 billion **B** –$2 billion **C** –$5 billion **D** –$9 billion

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