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Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/14**

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 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

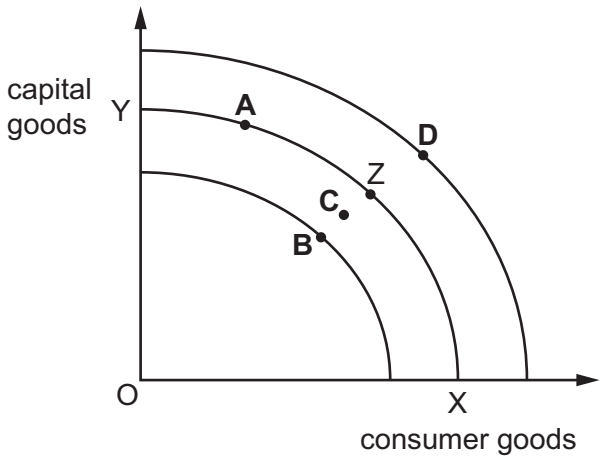
B privatise the ownership of electricity generation

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?



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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

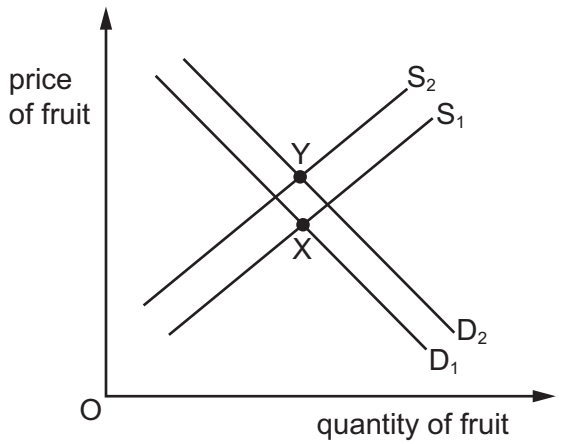
D wage rate

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?

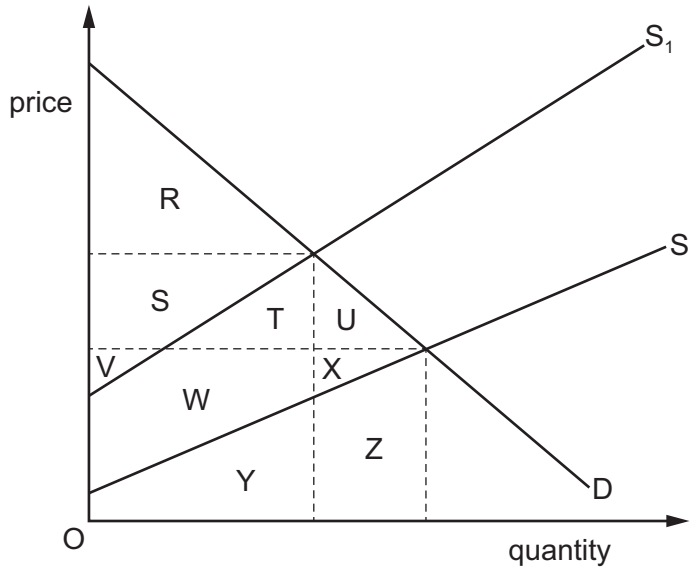
A providing incentives for government intervention to reduce income inequality

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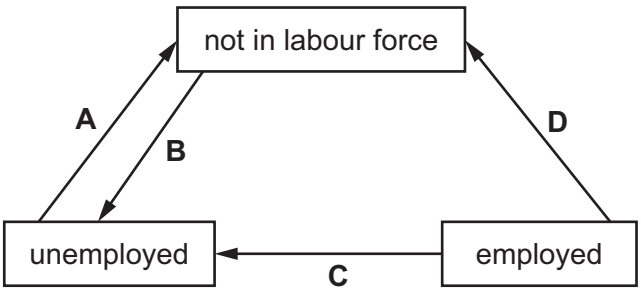
16 The diagram shows three groups of people with four possible flows between them.

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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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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