Cambridge International AS & A Level

ECONOMICS **9708/12**

Paper 1 AS Level Multiple Choice **May/June 2026**

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 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.

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1 Polio vaccination is provided free of charge in some countries.

How can this service be classified?

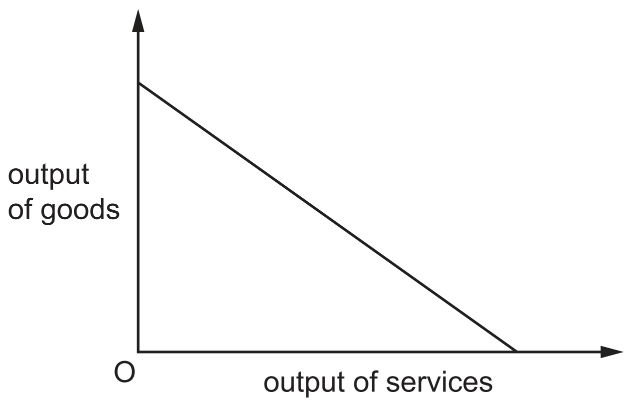
A a demerit good

B a free good

C a merit good

D a public good

2 The diagram shows the production possibility curve (PPC) for an economy that can produce goods and services.



If the economy is producing at the boundary of its PPC, which statement is **not** correct?

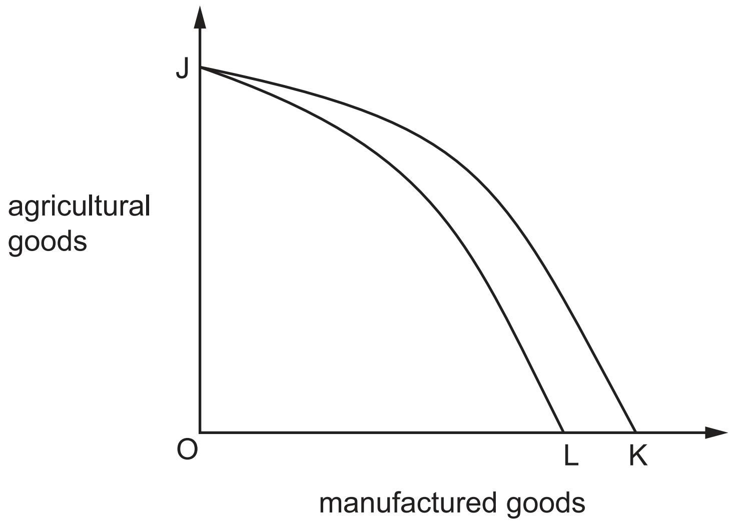
A The economy is always producing both goods and services.

B The economy is using all of the available resources.

C The opportunity cost of producing goods is constant.

D There is no unemployment in the economy.

3 In the diagram, JK is an economy's original production possibility curve (PPC).



What can cause the PPC to shift from JK to JL?

A a fall in output per worker of manufactured goods

B a fall in the demand for manufactured goods

C a rise in the quality of technology used in manufactured goods

D a rise in unemployment in the manufacturing sector

4 What is the most likely problem when a government provides public goods?

A consumption of the good is rivalrous

B not all consumers are able to consume the good

C scarce resources may **not** be used in the most desirable way

D there may be underconsumption of the good

5 Which statement about economics is **not** correct?

A Economic actions can produce unexpected side effects.

B Economic thinking is usually based on logical reasoning at the margin.

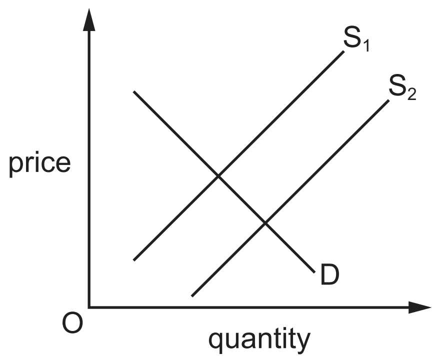
C The use of scarce resources to produce a good always has a cost.

D The value of a good or service involves a purely objective judgement.

6 If the price elasticity of supply for a good is three and the price of the good increases by 10%, what is the increase in quantity supplied?

A 3% **B** 7% **C** 30% **D** 33.3%

7 The diagram shows an outward shift in the supply curve of televisions from S_1 to S_2.



What may cause this shift?

A an increase in consumer incomes

B an increase in the cost of raw materials

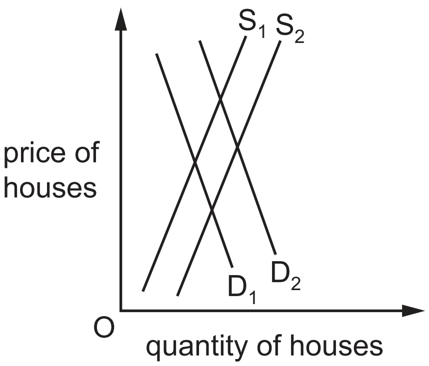
C an increase in the price of complements

D an increase in the size of the working population

8 The demand for housing continues to rise as real incomes increase and more construction firms enter the market to build more houses.

Which diagram represents this situation?

A



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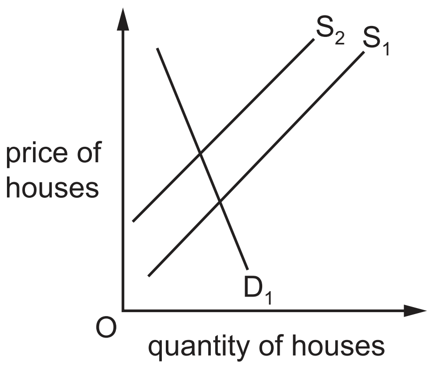

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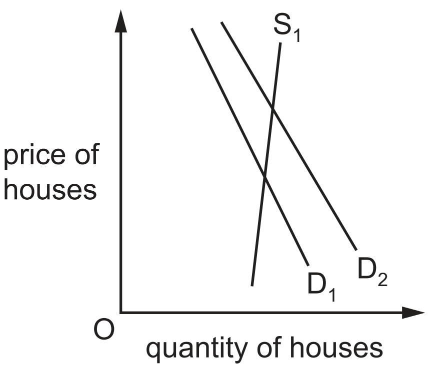

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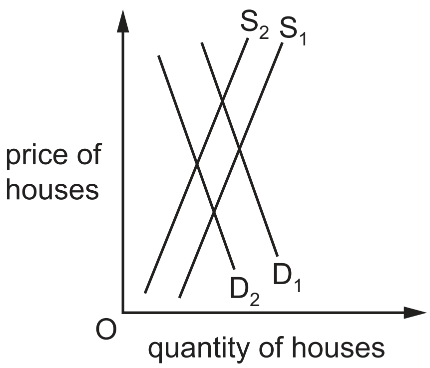


9 The demand curve for a product is perfectly elastic and the supply curve is unit elastic.

What is the value of the consumer surplus and producer surplus?

	consumer surplus	**producer surplus**
A	between zero and infinity	zero
B	infinity	zero
C	zero	between zero and infinity
D	zero	infinity

10 The price of a pizza has increased from \$8 to \$10. This leads to a decrease in quantity demanded of 12.5%.

What is the price elasticity of demand of pizza?

A 0.5 **B** 0.8 **C** 1.6 **D** 2.0

11 What would be categorised as direct government provision of goods and services?

A a government grant to a firm to provide healthcare services

B a government regulation on the amount of sugar in soft drinks

C a government subsidy to a firm that operates a regional train service

D a government takeover of a local bus service

12 What is a transfer payment?

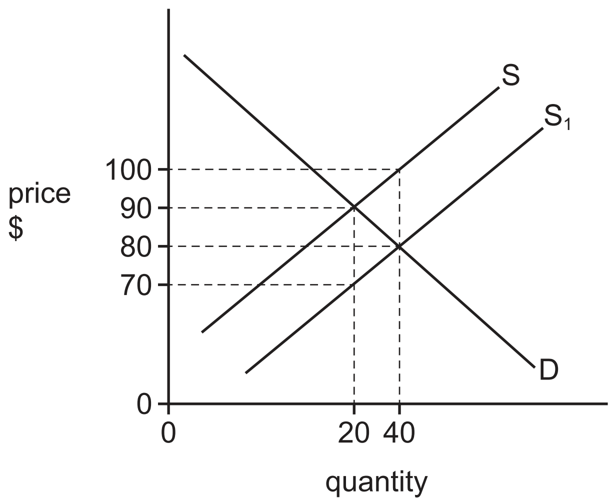
A advertising expenses incurred by a charity organisation

B food vouchers to help low-income households pay for food

C interest-free study loans given to deserving students by the government

D salary paid to a nurse working in a hospital that provides free treatment

13 The diagram shows the impact of a government subsidy on the provision of a merit good. S is the original supply curve and S_1 is the supply curve with the subsidy.



What is the total cost of the subsidy?

A \$200 **B** \$400 **C** \$800 **D** \$1200

14 Which combination of measures is likely to reduce inequality in income and wealth the most?

	income tax	inheritance tax	minimum wage
A	less progressive	lower threshold	increase
B	less progressive	raise threshold	decrease
C	more progressive	lower threshold	increase
D	more progressive	raise threshold	decrease

15 Health services in an economy are provided by private clinics that charge high fees. The government decides health services should be provided for everyone, not based on ability to pay.

Which direct action should it take?

A build government clinics, that charge low fees, to compete in the market

B close private clinics where provision by the market is inadequate

C increase the taxes on profits made by private clinics

D nationalise private clinics and remove charging

16 Why might Gross Domestic Product (GDP) **not** be a useful measure of economic output?

A Application of technology has enabled a smaller size of workforce to achieve greater productivity.

B Damage to the environment is often unquantified or even ignored.

C Land reclamation has created more urban space to overcome crowding.

D Shortages in labour supplies have been overcome by international migration of labour.

17 What adjustment is made to change the value of Gross Domestic Product (GDP) from market prices to basic prices?

A add indirect taxes and add subsidies

B add indirect taxes and deduct subsidies

C deduct indirect taxes and add subsidies

D deduct indirect taxes and deduct subsidies

18 What are injections into the circular flow of income?

A government spending, investment and exports

B government spending, savings and imports

C investment, savings and exports

D investment, taxes and imports

19 What will decrease if the level of employment falls?

A labour force

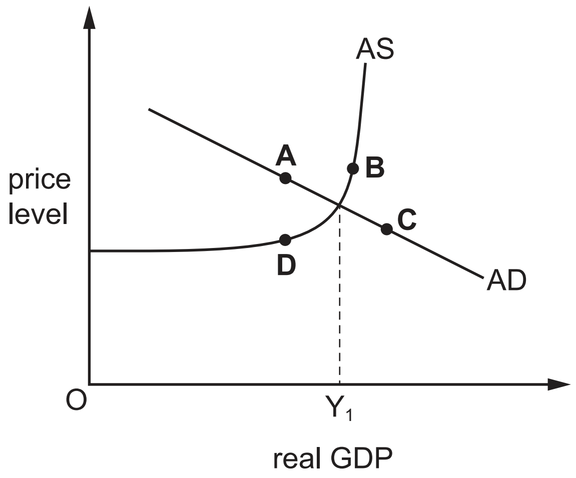
B actual output

C productive capacity

D potential output

20 The diagram shows the aggregate demand (AD) and aggregate supply (AS) curves for a country. The initial level of national income is given by Y_1.

What is the most likely new equilibrium point if there is increased productivity in the manufacture of goods produced for the domestic market?



21 What is the main objective of supply-side policies?

A to bring a country's potential output up to the level of its actual output

B to ensure a budget surplus

C to ensure that the composition of output matches the pattern of demand

D to increase potential output

22 A government reduced direct taxes on consumers and businesses.

What are likely to be the effects of these changes on consumption, investment and national output?

	consumption	**investment**	**national output**
A	decrease	decrease	decrease
B	decrease	increase	increase
C	increase	decrease	decrease
D	increase	increase	increase

23 An economy has a GDP of $500 billion.The budget surplus is 2% of GDP.

What is the government spending when the tax revenue is $80 billion?

A $60 billion

B $70 billion

C $80 billion

D $90 billion

24 Which action might be part of an expansionary economic policy?

A reducing the budget deficit

B reducing the level of government spending

C reducing the money supply

D reducing the rate of interest

25 What is **not** included in government spending (G) while calculating aggregate demand (AD)?

A education

B healthcare

C roads

D transfer payments

26 The US dollar ($) has appreciated by 12% against an average of other major trading currencies.

What is likely to have caused this?

A an increase in the US imports

B an increase in the US interest rate

C an increase in the US money supply

D an increase in the US employment rate

27 What is the **least** likely outcome for participating countries of a move towards free trade?

A a greater product choice

B a more equal distribution of income

C greater international specialisation

D higher standards of living

28 Which government measure would reduce protectionism?

A an increase in product safety standards

B an increase in subsidies to domestic firms

C an increase in the level of import quotas

D an increase in the rate of import duties

29 Which policy will lead to a fall in the volume of goods imported?

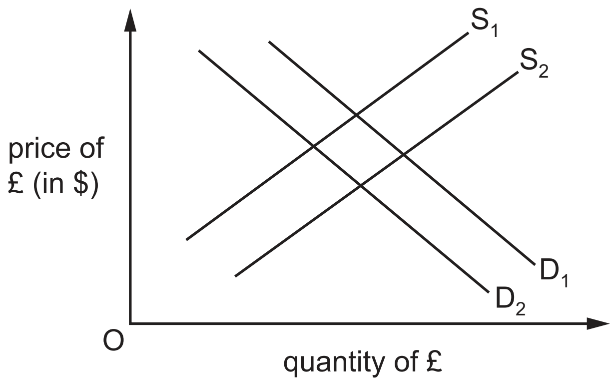
A a cut in income tax rates

B a cut in interest rates

C an increase in import tariffs

D an increase in spending on training workers in domestic tourism

30 In the diagram, D_1 and S_1 are the initial supply and demand curves of the pound sterling (£) on the foreign exchange markets.



What will cause the demand curve to shift to D_2 and the supply curve to S_2?

A a decrease in the price levels of other countries

B a depreciation of the pound sterling

C a reduction in the level of UK import tariffs

D an increase in UK interest rates

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