

Cambridge International AS & A Level

ECONOMICS

9708/32

Paper 3 A Level Multiple Choice

February/March 2026

1 hour 15 minutes

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 the correct formula for calculating average fixed cost (AFC)?

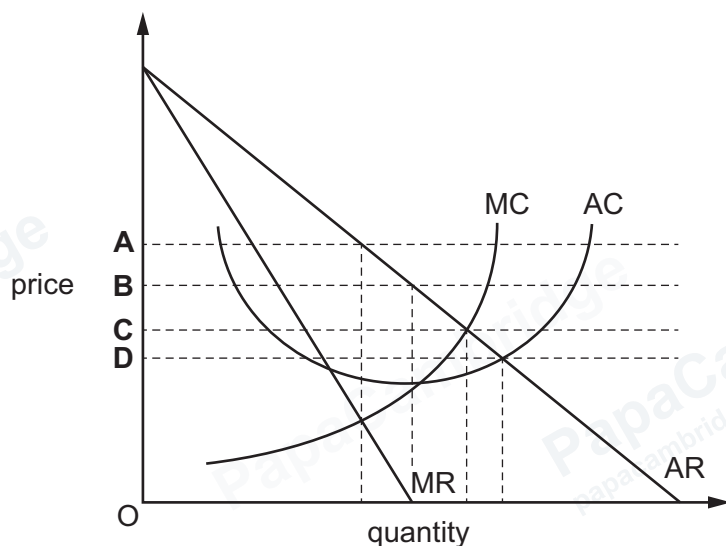
- A $\frac{\text{quantity produced}}{\text{total fixed cost}}$
- B $\frac{\text{average total cost}}{\text{total fixed cost}}$
- C $\frac{\text{total fixed cost}}{\text{average total cost}}$
- D $\frac{\text{total fixed cost}}{\text{quantity produced}}$

2 Which statement about an indifference curve is correct?

- A it always has a positive gradient
- B it can intersect with other indifference curves
- C its gradient is determined by the marginal rate of substitution
- D the higher the indifference curve the lower the utility gained

3 The diagram shows the cost and revenue curves for a monopoly firm.

At which price will the firm sell if it follows a policy of revenue maximisation?

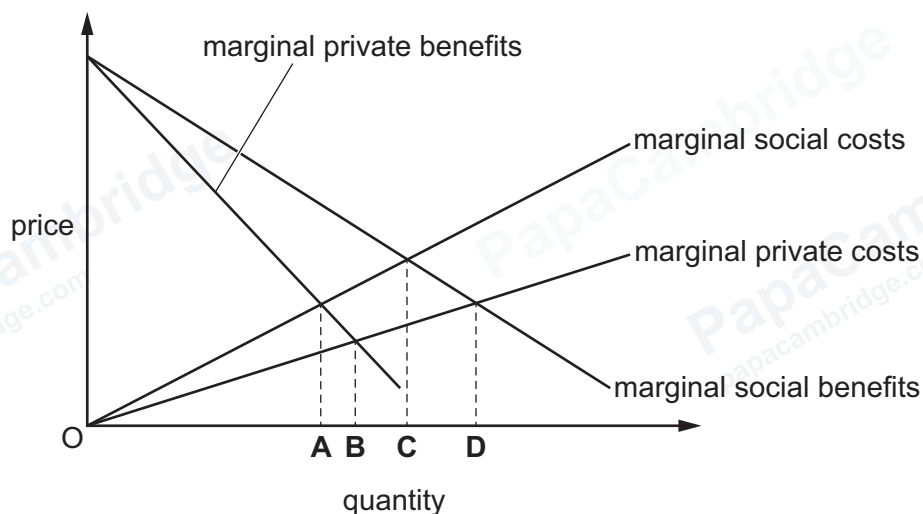


- 4 An oligopolist with a kinked demand curve decides to raise its price.

Why might it do this?

- A it has a large increase in costs
 - B it is starting a predatory pricing strategy
 - C it is trying to price discriminate
 - D it wants to start a price war
- 5 What is it called when a consumer's marginal utility is greater than the price paid for the good?
- A a Giffen good
 - B an inferior good
 - C consumer surplus
 - D producer surplus
- 6 The diagram shows the private and social costs and benefits of producing a good.

Which quantity is most likely to be produced by a firm operating under free market conditions?



- 7 Which combination of factors would make it difficult for a cartel to fix the market price of its product?

	proportion of firms in the industry that are members of the cartel	barriers of entry into the industry
A	high	high
B	high	low
C	low	high
D	low	low

- 8 A café employed five staff and paid them each \$10 an hour. When extra staff were needed, the employer had to increase the hourly rate for all staff to \$12 an hour.

What was the marginal cost each hour of employing **two** extra staff?

- A \$2 B \$24 C \$34 D \$84

- 9 The government of a country allows each factory in the fertiliser industry to discharge 10 000 litres of liquid waste into the rivers each year.

If a factory discharges less than 10 000 litres, it can sell its remaining allowance to another factory that wants to discharge more than 10 000 litres.

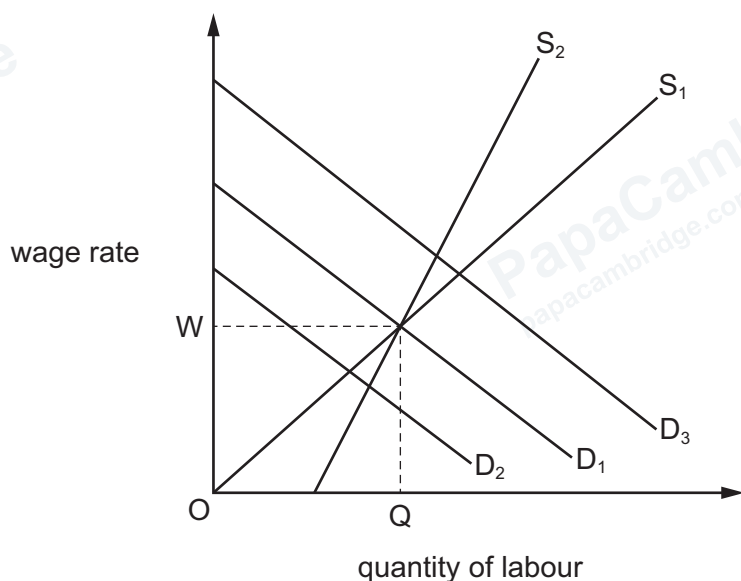
What does this illustrate?

- A a pollution embargo
B a pollution permit
C a pollution tariff
D a pollution subsidy

- 10 What is **not** an example of government failure in the free provision of health care?

- A equal access to health care
B insufficient spending on vaccinations
C long waiting time to see doctors
D storing excess supplies of unused medicine

- 11 The diagram shows the initial equilibrium in a labour market. D_1 is the initial demand curve and S_1 is the initial supply curve. The wage rate is W and Q workers are employed.



Which changes in the market will cause the largest increase in economic rent?

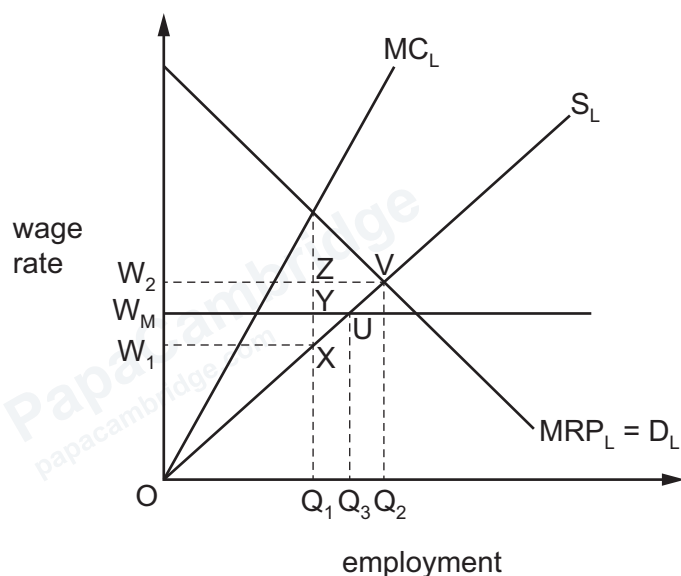
	demand for labour	supply of labour
A	shift to D_2	shift to S_2
B	shift to D_2	unchanged
C	shift to D_3	shift to S_2
D	shift to D_3	unchanged

- 12 Five years ago the Gini coefficient of a county was 0.35 but now it is 0.40.

Which combination of policies is most likely to have been used in the last five years?

	corporate taxes	sales taxes	means-tested benefits in real terms
A	decrease	decrease	increase
B	decrease	increase	decrease
C	increase	decrease	decrease
D	increase	increase	increase

- 13 The diagram shows the effect of the introduction of a national minimum wage, W_M , in an occupation where workers are employed by a profit-maximising monopsonist.



What happened to the total wages received by the workers in the occupation?

- A They decreased from OW_2VQ_2 to OW_MUQ_3 .
- B They decreased from OW_2ZQ_1 to OW_MUQ_3 .
- C They increased from OW_1XQ_1 to OW_MYQ_1 .
- D They increased from OW_1XQ_1 to OW_MUQ_3 .
- 14 Investment in education and training is most likely to reduce which type of unemployment?
- A cyclical
- B frictional
- C structural
- D voluntary
- 15 An estimate of the consumption function of an economy is given by an equation $C = 10\,000 + 0.8Y$ where C = consumption and Y = income.
- Which conclusion can be drawn from this information?
- A The average propensity to consume is constant.
- B The average propensity to consume increases as income increases.
- C The average propensity to consume is always equal to the marginal propensity to consume.
- D The average propensity to consume is always greater than the marginal propensity to consume.

- 16 Investment is involved in both the accelerator and the multiplier.

What is the nature of the investment in each case?

	accelerator	multiplier
A	autonomous	autonomous
B	autonomous	induced
C	induced	autonomous
D	induced	induced

- 17 A country's velocity of circulation of money is constant.

If the money supply increases by 4% and real output grows by 3%, what will be the approximate change in the price level?

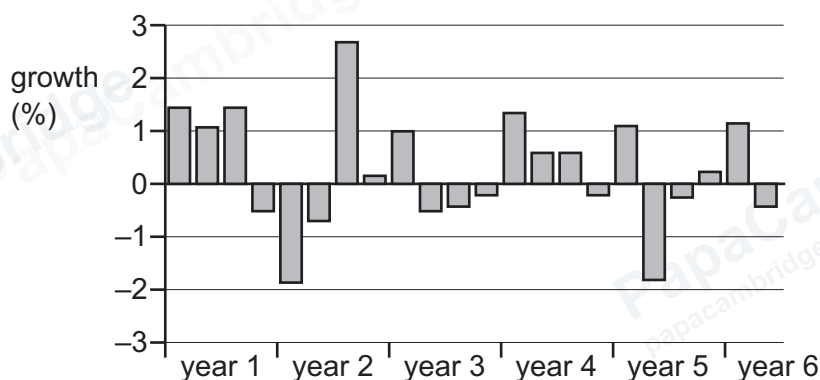
- A** 1% **B** 2% **C** 3% **D** 6%

- 18 There are different measures of the money supply from narrow money to broad money.

Why are different measures necessary?

- A** because different countries have their own national measures of money supply
B because of disagreement among economists over the importance of money supply
C because of the need to produce different measures of inflation
D because of the need to reflect the different functions that money performs

- 19 The diagram shows quarterly changes in Japan's GDP over several years.



How many recessions occurred in Japan during this period?

- A** 2 **B** 3 **C** 5 **D** 10

20 What is shown by a short-run Phillips curve?

- A a negative relationship between the general price level and the number unemployed
- B a negative relationship between the inflation rate and the unemployment rate
- C a positive relationship between the general price level and the number unemployed
- D a positive relationship between the inflation rate and the unemployment rate

21 What is a reason for a central bank to decrease the interest rate?

- A to attract hot money inflows to prevent a decrease in the exchange rate
- B to discourage private sector borrowing for investment
- C to increase aggregate demand and aggregate supply in the economy
- D to slow the rate of increase of domestic prices

22 A currency is devalued.

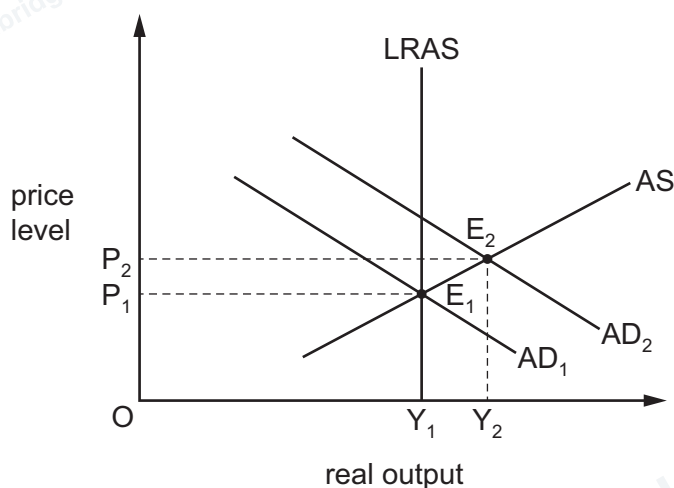
Over what time period and for what type of economy is there likely to be the greatest improvement in national income?

	time period	type of economy
A	long run	closed economy
B	long run	open economy
C	short run	closed economy
D	short run	open economy

23 How might an increase in the surplus on the current account of the balance of payments affect other macroeconomic objectives in the short run?

- A by decreasing economic growth
- B by decreasing employment
- C by increasing sustainable development
- D by increasing the rate of inflation

- 24 The diagram shows an economy in short-run equilibrium with price level P_2 and output level Y_2 .



Which combination is most likely to be achieved in the economy at the equilibrium point E_2 ?

	macroeconomic policy aim	macroeconomic policy aim
A	reduced current account deficit	increased international competitiveness
B	reduced rate of inflation	reduced exchange rate
C	increased level of employment	increased per capita income
D	increased economic growth	reduced environmental degradation

- 25 What is likely to be found in a free trade area?
- A** import tariffs on goods entering a member country from a country outside the free trade area
 - B** import tariffs on goods entering a member country from another member country
 - C** quotas on the number of goods entering a member country from another member country
 - D** subsidies on goods leaving a member country for another member country
- 26 What is **not** included in the Human Development Index?
- A** infant mortality rates
 - B** gross national income per capita
 - C** life expectancy at birth
 - D** mean years of schooling

- 27** A multilateral organisation that provides loans and grants to governments of low and middle-income countries for the purpose of pursuing capital projects.

Which organisation does this statement describe?

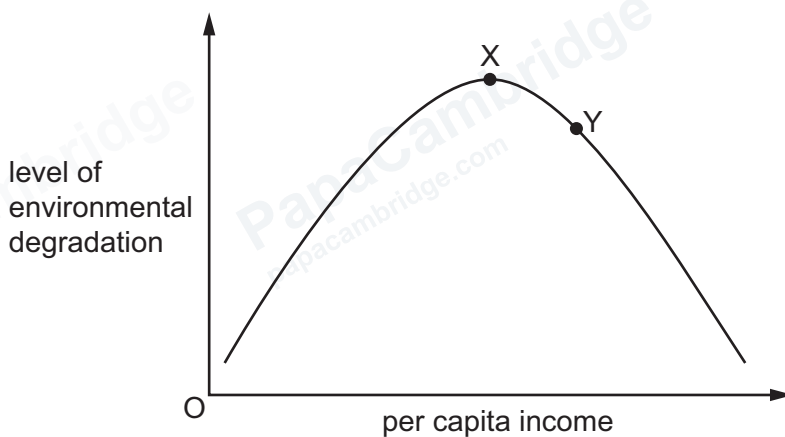
- A** The International Monetary Fund
- B** The United States (US) central Bank
- C** The World Bank
- D** The World Trade Organisation

- 28** During a year, a country's national income in money terms increased by 3%, prices increased by 4%, and the total population increased by 1%.

What was the approximate change in real income per head?

- A** a decrease of 1%
- B** a decrease of 2%
- C** an increase of 2%
- D** an increase of 3%

- 29** The diagram shows a possible outcome for an economy.



What is the most likely reason why an economy is unable to turn at point X towards point Y?

- A** a cut in direct taxes causes a substitution effect and tax revenues continue to rise
- B** a depreciation of the exchange rate increases the rate of economic growth
- C** pollution continues to be caused by rising real GDP
- D** there is now greater emphasis on living standards rather than economic growth

- 30 What is **not** a possible effect of using expenditure-switching policies to reduce a deficit on the current account of the balance of payments?
- A a reduction in the domestic demand for locally made goods and services
 - B a retaliation from other countries
 - C an increase in demand-pull and cost-push inflation
 - D the generation of government revenues through customs duties

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