CAMBRIDGE
International Education

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)

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

A $\dfrac{\text{quantity produced}}{\text{total fixed cost}}$

B $\dfrac{\text{average total cost}}{\text{total fixed cost}}$

C $\dfrac{\text{total fixed cost}}{\text{average total cost}}$

D $\dfrac{\text{total fixed cost}}{\text{quantity produced}}$

2 Which statement about an indifference curve is correct?

A it always has a positive gradient

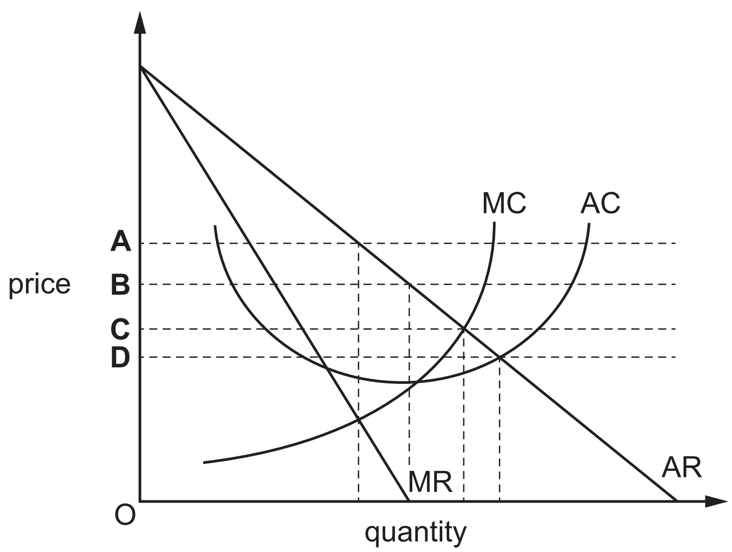
B it can intersect with other indifference curves

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

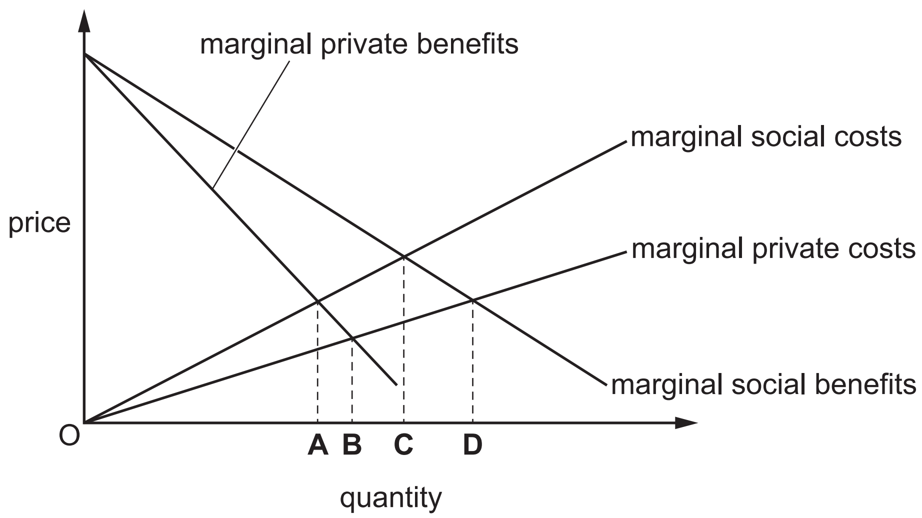
B an inferior good

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?

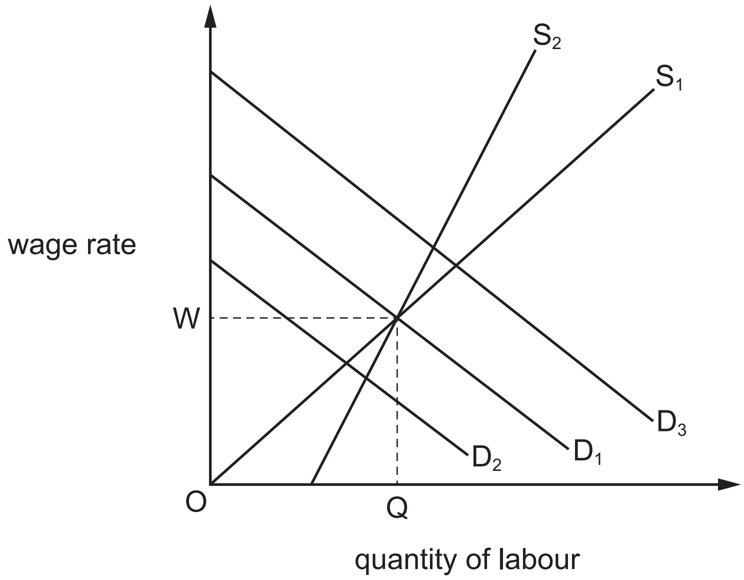
A equal access to health care

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?

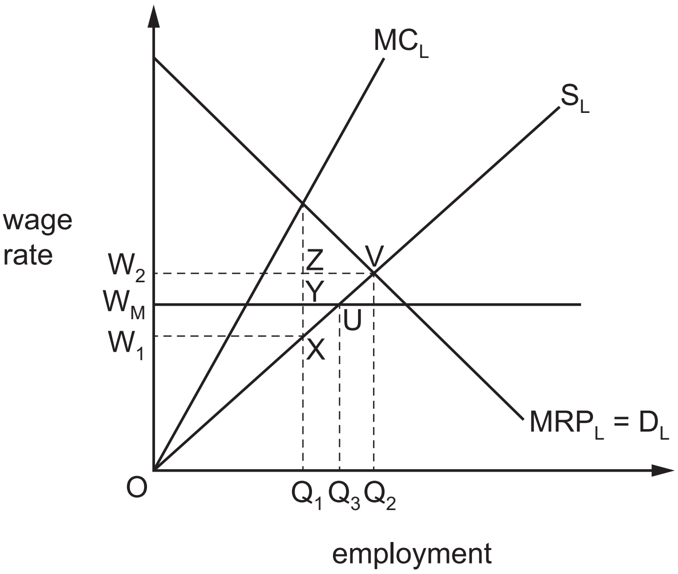
	demand for labour	**supply of labour**
A	shift to D_2	shift to S_2
B	shift to D_2	unchanged
C	shift to D_3	shift to S_2
D	shift to D_3	unchanged

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?

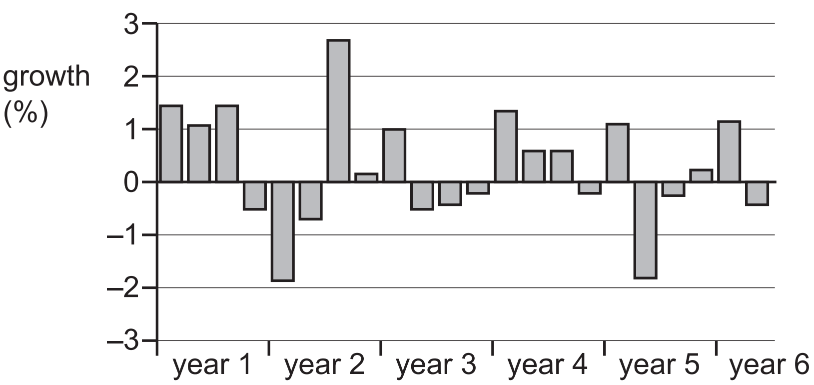
A because different countries have their own national measures of money supply

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?

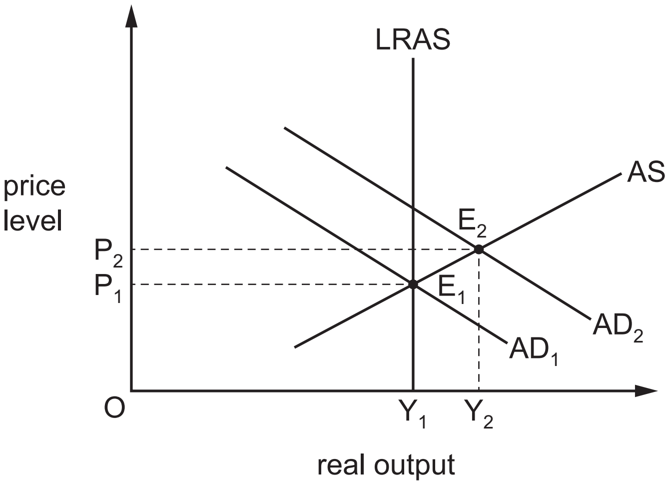
A by decreasing economic growth

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?

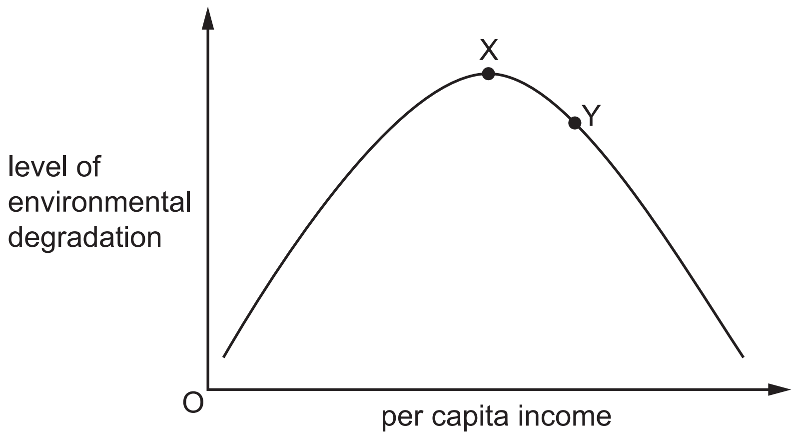
A a decrease of 1%

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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