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Cambridge Assessment International Education

Cambridge IGCSE™ (9–1)

ECONOMICS **0987/11**

Paper 1 Multiple Choice **May/June 2020**

45 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.
- 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. A mark will not be deducted for a wrong answer.
- Any rough working should be done on this question paper.

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1 What is an example of the purchase of a consumer good?

A A farm owner buys a television.

B A farm owner buys additional land.

C A farm owner buys fertiliser for their crops.

D A farm owner buys some farming equipment.

2 What is the function of the factors of production in an economy?

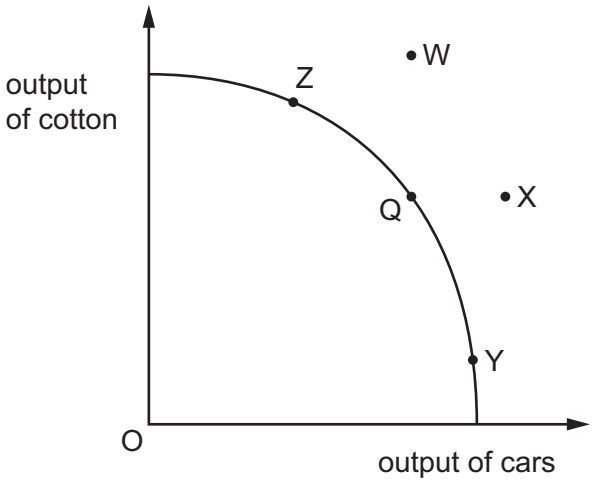
A to make goods and services to fulfil wants and needs

B to provide an even distribution of income

C to provide tax income for the government

D to reduce the existence of external costs

3 The diagram shows a production possibility curve (PPC) for an economy that can produce cotton and cars. The economy is at point Q.



There is improved technology that can only be used in the production of cars.

How would this be represented on this diagram?

A by a movement from Q to W

B by a movement from Q to X

C by a movement from Q to Y

D by a movement from Q to Z

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4 Which topic is included in microeconomics?

A economic growth

B elasticity of demand

C inflation

D the balance of payments

5 What aspect of demerit goods means they are overproduced?

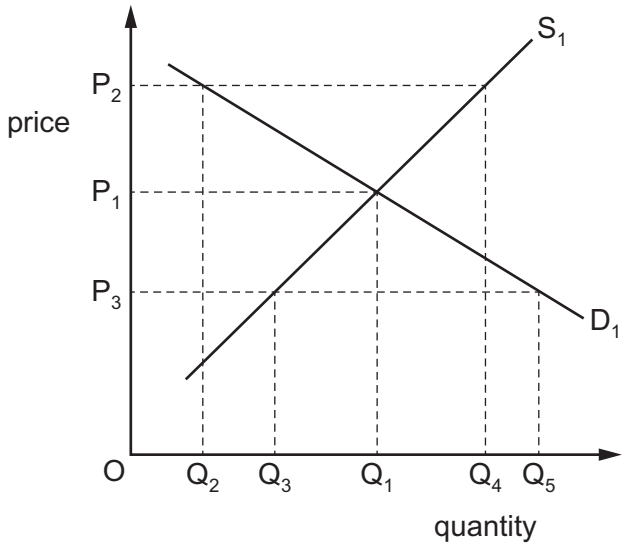
A clear product information

B high external costs

C high product taxes

D low customer demand

6 The diagram shows market demand and supply curves.



To what extent is the market in disequilibrium at price P_3?

A $OQ_1 – OQ_2$ **B** $OQ_1 – OQ_3$ **C** $OQ_2 – OQ_4$ **D** $OQ_3 – OQ_5$

7 Lithium is an essential metal for the production of electric cars. Following a 10% increase in the price of lithium, supplies increase by 15%. This led to a 5% increase in the price of electric cars.

What is the price elasticity of supply (PES) for lithium?

A 0.33 **B** 0.66 **C** 1.50 **D** 2.0

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8 The wage of labour in a firm increases.

What is the **most** likely effect on the production process?

A Capital replaces labour immediately.

B Capital replaces labour in the long run.

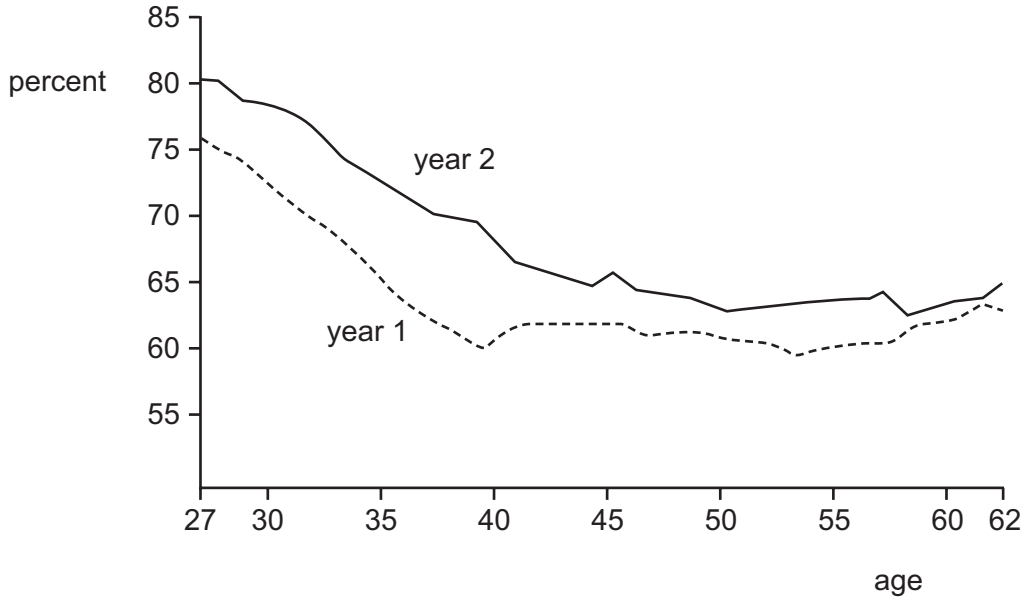
C Labour replaces capital immediately.

D Labour replaces capital in the long run.

9 Which combination of influences would increase the level of borrowing by a household?

	influence 1	influence 2
A	becoming pensioners	higher rate of inflation
B	greater wealth	lower consumer confidence
C	higher consumer confidence	lower rate of interest
D	higher rate of interest	greater availability of credit

10 The graph shows women's wages as a percentage of men's wages in year 1 and year 2.



Which statement is shown by the graph to be true?

A Younger women earn more than older women.

B Women's wages remain about the same between the ages of 40–50.

C In year 2, all women were earning more than men.

D In year 2, women were earning a higher percentage of men's wages than in year 1.

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11 People's income decreases.

How is the proportion spent on food and leisure likely to change?

	food	leisure
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

12 The table shows total fixed and total variable costs at different levels of output for a firm.

At which level of output is average total cost lowest?

	output (tonnes)	total fixed cost ($)	total variable cost ($)
A	100	1200	1200
B	200	1200	2000
C	300	1200	2700
D	400	1200	3600

13 The following information refers to a firm producing shoes.

At which level of output does the firm maximise profits?

	total output of pairs of shoes	total cost ($)	total revenue ($)
A	100	1000	1300
B	200	1800	2200
C	300	2700	3000
D	400	3200	3400

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14 What is **most** likely to lead to an improvement in labour productivity in an industry?

A an increase in capital investment

B an increase in income tax rates

C an increase in the demand for the industry's product

D an increase in the number of firms in the industry

15 How is a government **most** likely to prevent the growth of monopolies?

A by encouraging mergers in the private sector

B by establishing nationalised industries

C by promoting the benefits of economies of scale

D by reducing barriers to entry into an industry

16 What is **not** included in public expenditure?

A capital spending by firms

B interest payments on government borrowing

C investment in defence by the central government

D subsidies to bus companies from local government

17 When is the budget described as balanced?

A when direct taxes and indirect taxes are equal

B when exports and imports are equal

C when government spending and government revenue are equal

D when the demand for money and the supply of money are equal

18 The government wishes to increase economic growth in its economy.

What would **not** be likely to achieve this aim?

A The central bank encourages bank lending.

B The central bank lowers interest rates.

C The government increases sales tax (VAT).

D The government subsidises new industries.

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19 The government redistributes income more evenly.

What is **most** likely to increase?

A the incentive to work

B the level of savings

C the need for welfare payments

D the rate of inflation

20 The table shows selected indicators for the labour market of an economy in 2014 and 2018.

	2014 (millions)	2018 (millions)
total labour force	30	30
employed workers	25	28
long-term unemployed	1	2
employment in manufacturing	4	2
employment in services	13	16

According to the table, what is the **most** likely type of unemployment in 2018?

A cyclical

B frictional

C seasonal

D structural

21 What may directly cause economic growth?

A higher imports

B higher levels of resources

C higher taxation

D higher unemployment

22 What would **not** be required in the construction of an index of consumer prices?

A the selection of a base year

B the selection of a representative range of items

C the calculation of average wage levels

D the weighting of each item in the index

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23 The table gives information about three economic indicators in four countries.

	rate of inflation %	rate of interest %	rate of unemployment %
country W	1.4	3.4	10.2
country X	3.7	8.7	12.3
country Y	3.6	7.3	14.2
country Z	2.1	6.0	7.7

What may be concluded from this information?

A Countries with higher inflation have higher interest rates.

B Countries with higher interest rates have lower unemployment.

C The country with the lowest inflation had the highest unemployment.

D The country with the lowest unemployment had the lowest inflation.

24 What distinguishes a more developed country from a less developed country?

A Inflation rates are higher in the more developed country.

B Interest rates are higher in the more developed country.

C Natural resources are higher in the more developed country.

D Real incomes are higher in the more developed country.

25 An additional 700 000 UK children and pensioners fell into relative poverty between 2013 and 2017.

What might be the reason for this?

A Direct taxes had increased, and indirect taxes had fallen.

B Real gross domestic product was rising faster than the population.

C The death rate was exceeding the birth rate.

D The real value of government welfare benefits had fallen.

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26 Which changes usually result when a country develops and is able to provide free healthcare and good living conditions?

	birth rate	death rate	labour productivity
A	falls	falls	rises
B	falls	rises	falls
C	rises	falls	falls
D	rises	rises	rises

27 What is a quota in international trade?

A a government grant to encourage production

B an administrative and technical barrier

C a limit on the quantity of imports

D a tax on imports

28 Many low-income countries rely on exports of raw materials such as coffee or iron ore to earn them foreign currency.

What is a disadvantage of this?

A Countries have a constant demand for raw materials.

B International trade only benefits the importing countries.

C It is necessary for low-income countries to belong to a free trade area.

D Raw materials have fluctuating prices.

29 What is included as part of the current account of the balance of payments?

A all government income and expenditure

B money withdrawn from a bank account

C investments in other countries by manufacturers

D trade in goods and services

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30 The table shows components of Japan's current account balance in trillion Yen (¥) for 2011 and 2012.

year	balance of goods ¥trillion	balance of services ¥trillion	balance of primary income ¥trillion	balance of secondary income ¥trillion
2011	–1.61	–1.76	14.04	–1.11
2012	–5.23	–2.33	13.55	–1.02

Which balance improved between 2011 and 2012?

A balance of goods

B balance of services

C balance of primary income

D balance of secondary income

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