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Cambridge Assessment International Education

Cambridge IGCSE™ (9–1)

ECONOMICS **0987/12**

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 In 2016, 20 billion barrels of oil and 1.6 billion barrels of natural gas were discovered in Texas, US.

Which factor of production has increased in the US due to this discovery?

A capital

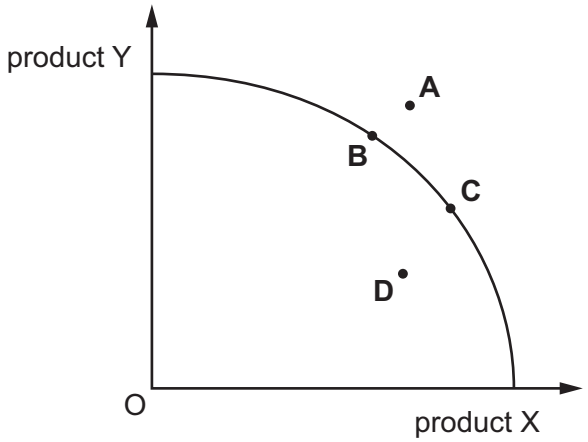
B enterprise

C labour

D land

2 The diagram shows a production possibility curve (PPC).

Which of these points shows the largest possible output of product Y currently achievable?



3 A student decides to take up a two year apprenticeship for which she will earn $10 000 per year. After that she expects to earn $25 000 per year. She could take an unskilled job which pays $16 000 per year instead of the apprenticeship.

What is the opportunity cost in the two years of completing the apprenticeship?

A $10 000 **B** $12 000 **C** $25 000 **D** $32 000

4 Microeconomics analyses choices in various situations.

Which area of economic study does it **not** include?

A costs and revenues of a firm

B individual consumer behaviour

C policies for economic growth

D wages for different occupations

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5 What is a cause of market failure?

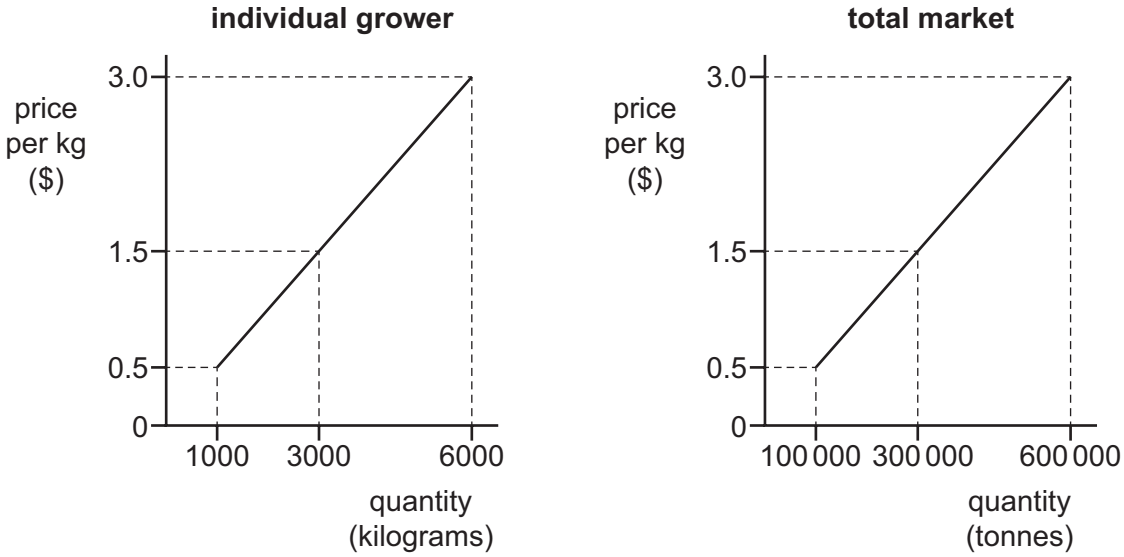
A many firms

B monopoly

C profit maximisation

D specialisation

6 The diagrams show the supply curve for an individual grower of tomatoes and for the total market supply of tomatoes.



What explains the similarity of the two curves?

A As costs rise growers need to get a higher price to increase output.

B At the lower prices each grower supplies more tomatoes.

C The profitability per unit is the same for all growers irrespective of output.

D Supply is not always influenced by price.

7 The price of bread rose by 5% and the quantity demanded fell by 4%.

What was the price elasticity of demand for bread?

A –0.4 **B** –0.8 **C** –1.25 **D** –2.0

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8 Saudi Arabia specialises in oil extraction and refining. This is a capital-intensive industry with highly skilled labour.

What might be a disadvantage of this specialisation?

A Oil companies have increased training costs as each worker needs many different skills.

B Oil companies may find it difficult to achieve economies of scale.

C Resource allocation is not efficient because a narrow range of goods is being produced.

D Workers may face a restricted range of job opportunities.

9 What would **most** likely cause a person to increase their savings?

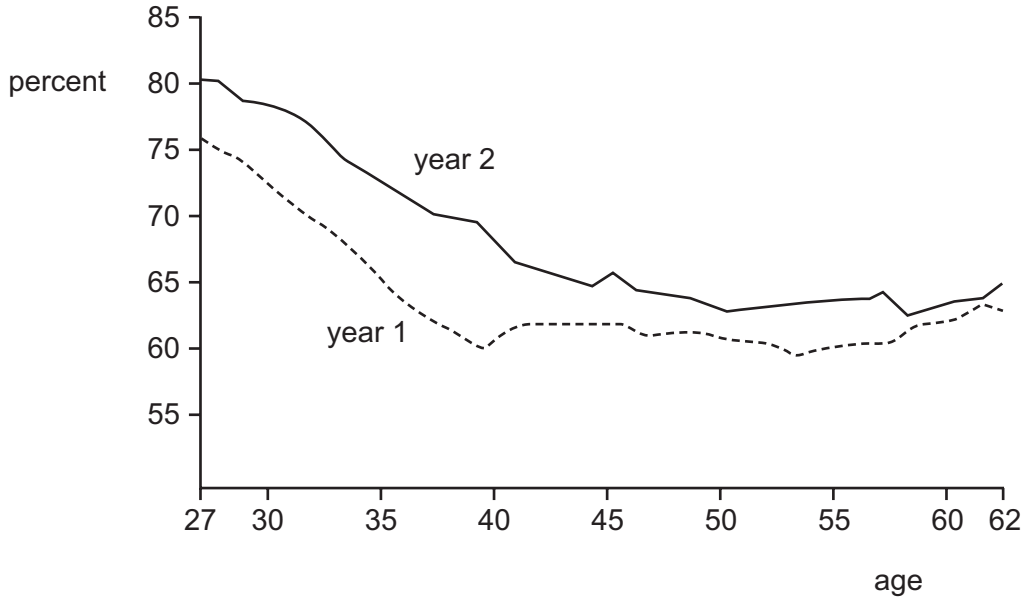
A a decision to plan for retirement

B a fall in income

C a fall in interest rates

D a reduction in tax-free saving schemes

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.

output	total fixed cost $	total variable cost $
100	1000	1000
200	1000	1500
300	1000	2000
400	1000	2500

What happens as output rises?

A Average fixed cost falls.

B Average fixed cost rises.

C Average variable cost remains constant.

D Average variable cost rises.

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 Which statement proves there has been an increase in productivity for a factory making tractors?

A 10% more workers results in a 10% increase in tractors produced each week.

B Output per worker increases from 3 tractors to 4 tractors per month.

C Production increases as more workers are hired.

D Starting a night shift leads to an increase in production of 10 tractors a day.

15 When do economies of scale take place?

A in the short run

B if variable factors become fixed

C when all factors of production are fixed

D when all factors of production are variable

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 A government increased revenue by increasing taxes on firms.

Which tax did it increase?

A inheritance tax

B profits tax

C sales tax

D value added tax

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19 Why are governments responsible for the defence of the country?

A It is impossible to charge a price for defence.

B It prevents individual citizens having access to weapons.

C Only governments can manufacture weapons.

D Providing defence is very expensive.

20 Information about job vacancies on a government website has led to a decrease in short-term unemployment.

What is the term for this type of unemployment?

A cyclical unemployment

B frictional unemployment

C structural unemployment

D technological unemployment

21 The table shows figures for the real GDP of a country.

quarter 1 ($bn)	quarter 2 ($bn)	quarter 3 ($bn)	quarter 4 ($bn)
100	101	99	98

A quarter is three months.

During which quarters was the country experiencing a recession?

A quarters 1 and 2

B quarters 2 and 3

C quarters 3 and 4

D the entire period

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 Due to war, some people are living in absolute poverty.

What is the main indicator of absolute poverty for these people?

A dependence on aid for medical treatment

B lack of transport to escape abroad

C living in tents in temporary camps

D receiving insufficient food for basic nutrition

25 Which country would be classified as the **most** developed based on the data in the table?

country	gross domestic product per year ($m)	population (millions)
A	600	3
B	700	2
C	12 000	40
D	15 000	100

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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 Which protectionist measure would be most suitable for a government to use to support the growth in exports of an industry?

A embargo

B quota

C subsidy

D tariff

28 There has been an appreciation of the value of a country's currency against other currencies.

What effects will this have on prices of imports of raw materials and prices of exports of manufactured goods?

	prices of imports of raw materials	prices of exports of manufactured goods
A	cheaper	cheaper
B	cheaper	more expensive
C	more expensive	cheaper
D	more expensive	more expensive

29 What is a disadvantage of increased specialisation by a country?

A It becomes more reliant on imports to meet all its needs.

B It reduces the potential for international trade.

C It results in access to a greater variety of goods for consumers.

D It results in lower costs for home produced goods.

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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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