



Cambridge IGCSE™ (9–1)

ECONOMICS

0987/11

Paper 1 Multiple Choice

May/June 2021

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.
- Any rough working should be done on this question paper.

This document has **12** pages. Any blank pages are indicated.

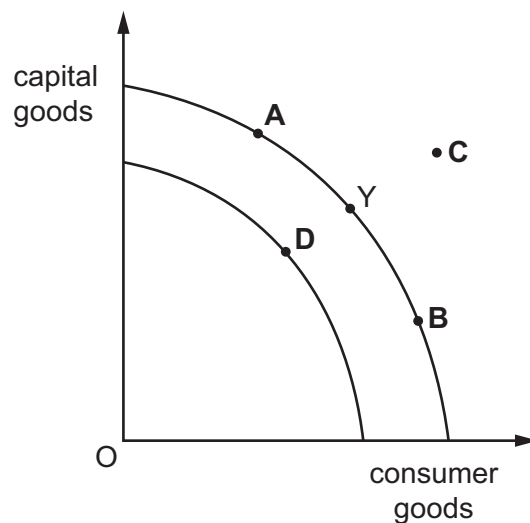


- 1 Which statement about the factors of production is correct?
- A Capital is a financial resource and includes savings in banks.
 - B Enterprise is limited in supply and includes office workers.
 - C Labour is a human resource and includes pensioners and children.
 - D Land is a natural resource and includes trees and fish.
- 2 A builder spends one hour travelling to and from work. He works 40 hours per week for \$200. He is given a choice to work 50 hours a week for an extra \$75.

What would be the opportunity cost to the builder of working the extra hours?

- A the ability to increase his purchasing power
 - B the additional time travelling to and from work
 - C the increased hourly earnings of \$7.50
 - D the ten hours of leisure time
- 3 A country's infrastructure was damaged by a natural disaster. Before the disaster, the country was producing at point Y on the production possibility curve (PPC).

Which point represents the country's production immediately after the disaster?



- 4 What is included in microeconomics?
- A the calculation of national income and expenditure
 - B the effects of a change in exchange rates on the trade balance of an economy
 - C the effects of an increase in the price of a good or service
 - D the factors leading to demand-pull inflation

- 5 What is an economist's definition of a market?
- A** a collection of informal retail outlets run by small firms
B a place where traders gather regularly for short periods
C a system that enables individuals and firms to buy and sell goods
D the existence of consumer demand for a good
- 6 What is an example of an external benefit from an individual cycling, rather than driving, to work?
- A** higher cost of building cycle lanes
B improved physical fitness to the individual from cycling
C lower cost of cycling compared with driving to work
D reduced congestion for other road users
- 7 A tailor has four customers for her range of suits. The table shows the yearly demand for the suits she makes.

demand for suits				
suit price (\$)	customer R	customer S	customer T	customer U
800	4	1	2	2
900	4	0	1	2
1000	3	0	1	1
1100	2	0	0	1

Which price should be charged to maximise the tailor's yearly revenue?

- A** \$800 **B** \$900 **C** \$1000 **D** \$1100
- 8 In response to an increase in price from \$5 per kilo to \$6 per kilo, a farmer increased supply from 400 kilos to 500 kilos per week.
- What is the price elasticity of supply?
- A** 0.8 **B** 0.9 **C** 1.2 **D** 1.25

- 9 It is expected that consumers will use less paper money.

What is the **most** likely reason for this?

- A Inflation reduces the value of paper money.
- B More ways of making payments will be available.
- C Other forms of money are more durable.
- D Paper money will have less intrinsic value.

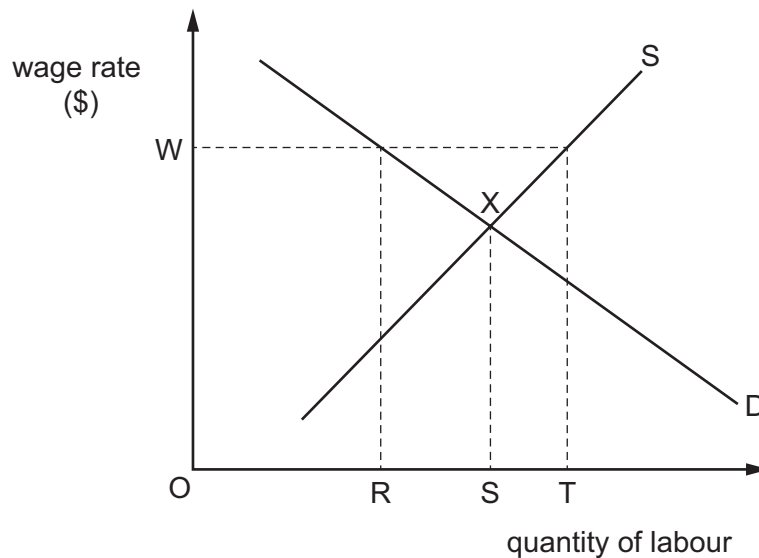
- 10 In low-income countries, fewer girls than boys become skilled design engineers.

What might explain this situation?

- A Girls are only interested in low-wage jobs.
- B Girls do not favour heavy manual work.
- C Girls have fewer opportunities to complete higher education.
- D It costs more for girls to be trained as design engineers.

- 11 The diagram shows the demand for and supply of labour in an industry. The original equilibrium is X.

A trade union then negotiates a wage rate of W.



What identifies the change in employment?

- A OR
- B OT
- C RS
- D RT

- 12 A company mining cobalt, invests in machinery to replace some workers. Eventually diseconomies of scale occur.

What could cause this situation?

- A As more cobalt is mined average costs increase.
 - B Fewer workers are needed to produce the required output.
 - C Output per hour increases as more machinery is used.
 - D Overhead costs are spread as output increases.
- 13 Why are many hairdressers able to operate as small businesses?
- A high level of competition
 - B high scope for economies of scale
 - C long period of training required
 - D low start-up and running costs

- 14 Dimitry owns a firm that produces and sells bottles of lemonade. He only sells one size of bottle.

How would Dimitry calculate the total revenue of the firm?

- A multiply the quantity sold by the cost per bottle
 - B multiply the quantity sold by the price per bottle
 - C multiply the quantity sold by the profit per bottle
 - D multiply the quantity sold by the tax per bottle
- 15 Which market is likely to be the most competitive?

	barriers to entry	number of sellers
A	high	few
B	high	many
C	low	few
D	low	many

16 An economy has a high rate of inflation. In response to this, its government increases income tax.

What is the **most** likely reason for this increase?

- A** to discourage the consumption of harmful goods
- B** to raise money for government spending
- C** to redistribute income
- D** to reduce total demand

17 Interest rates are sometimes raised to control inflation.

Why might this policy be effective?

- A** Consumers may save more.
- B** Government spending may increase.
- C** Investment may be encouraged.
- D** The exchange rate may fall.

18 A government's revenue grew 8% to \$3.25 trillion. Its expenditure was reduced to \$3.69 trillion.

What can be concluded from this?

	state of budget	government policy aim
A	deficit	increase deficit
B	deficit	reduce deficit
C	surplus	increase surplus
D	surplus	reduce surplus

19 A country's inflation rate, measured by the Consumer Prices Index (CPI), was 3% in year 1. Three years later it was 0.8%.

What can be concluded from this information?

- A** Prices are falling.
- B** The rate of price increases is falling.
- C** The real rate of interest is negative.
- D** There is increased purchasing power for those on fixed incomes.

20 What will deflation **most** likely lead to?

- A a fall in the real value of debts
- B an increase in the exchange rate
- C an increase in the rate of interest
- D an increase in the real purchasing power of money

21 Economic growth can be defined as

- A a reduction in a country's rate of inflation.
- B an increase in a country's exports.
- C an increase in a country's population.
- D an increase in a country's productive capacity.

22 The table compares the distribution of employment in selected industries in two years.

industry	employment in millions	
	year 1	year 2
agriculture	4	3
mining	2	2
manufacturing	6	6
retailing	4	4
transport	4	5
total	20	20

How did the distribution of employment change between year 1 and year 2?

	primary sector	secondary sector
A	fell	rose
B	fell	unchanged
C	rose	fell
D	rose	unchanged

23 In a year, two changes occurred in a company.

Company directors' salaries increased by 15%.

Office workers' wages increased by 5%.

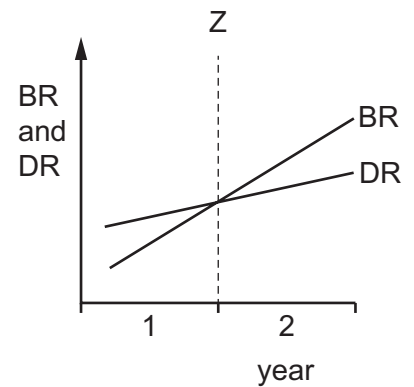
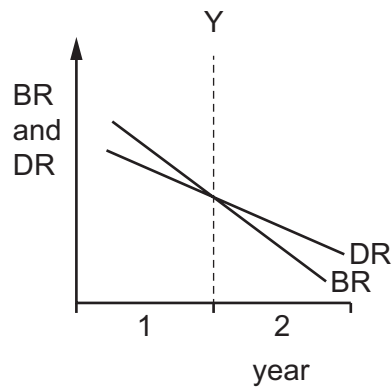
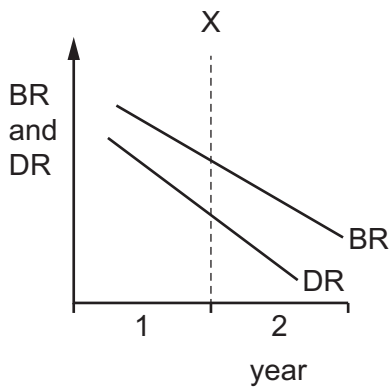
The rate of inflation was 3.4%.

What happened to real income?

	company directors' real income	office workers' real income
A	fell	fell
B	fell	rose
C	rose	fell
D	rose	rose

24 The diagrams show birth rate (BR) and death rate (DR) in three countries, X, Y and Z, in two years, 1 and 2.

There was no migration.



Where was there a rise in population in year 1 and a fall in population in year 2?

- A** X and Z **B** X only **C** Y and Z **D** Y only

- 25 The richest 60% of the population of a high-income economy received an increase in income. The income of the rest of the population did not change.

What happened to absolute and relative poverty?

	absolute poverty	relative poverty
A	increased	increased
B	increased	remained constant
C	remained constant	increased
D	remained constant	remained constant

- 26 Gross Domestic Product (GDP) is a better measure of comparative living standards when it is adjusted for the effects of

- A exports and inflation.
- B imports and exports.
- C population change and exports.
- D population change and inflation.

- 27 What is a disadvantage of increasing international specialisation?

- A Consumers pay higher prices for goods and services reducing their welfare.
- B Domestic firms may be uncompetitive leading to structural unemployment.
- C Domestic firms may experience rising costs as they pay more for imports.
- D Resources may be used less efficiently as domestic firms face less competition.

- 28 Which method of protection always reduces the supply of an imported good to zero?

- A embargo
- B quota
- C subsidy
- D tariff

- 29 A US car dealer agrees an import price of US\$25 000 for a Japanese car at the current rate of exchange.

The US dollar then strengthens by 10% against the Japanese yen.

What will be the new import price paid for the Japanese car?

- A US\$20 000
- B US\$22 500
- C US\$25 000
- D US\$27 500

30 A country has a deficit on its current account of its balance of payments.

What could increase the size of its deficit?

- A** increased exports of its services
- B** increased international competitiveness of its goods
- C** increased numbers of visitors from abroad
- D** increased spending on its military bases abroad

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge Assessment International Education is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which itself is a department of the University of Cambridge.