



Cambridge IGCSE™ (9–1)

ECONOMICS

0987/12

Paper 1 Multiple Choice

May/June 2024

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 Why will scarcity always exist?

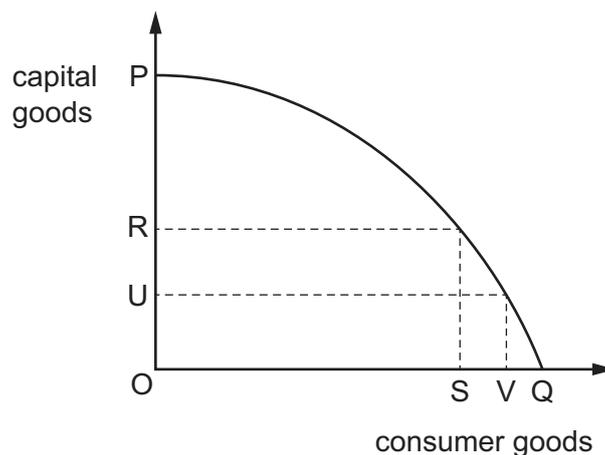
- A There are high costs of production.
- B There are low levels of education.
- C There are unlimited resources.
- D There are unlimited wants.

2 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

3 The diagram shows a country's production possibility curve (PPC).



Which current combination of capital and consumer goods would produce the greatest number of consumer goods in the future?

- A O and Q
- B P and O
- C R and S
- D U and V

4 What is **not** a macroeconomic topic?

- A the growth in Chinese Gross Domestic Product
- B the level of Consumer Prices Index inflation in the UK
- C the level of unemployment in Spain
- D the total output of the German car industry

- 5 What is likely to cause an extension in demand for a firm's fruit drink?
- A** a period of hot weather
B a reduction in the cost of producing the drink
C a rival firm leaving the market
D a successful advertising campaign by the firm
- 6 Supermarkets sell petrol (gas) outside their stores. They reduce the price of petrol below other suppliers to attract more customers to buy goods in the store when they buy more petrol.

If this were successful, how might it be shown on demand and supply diagrams?

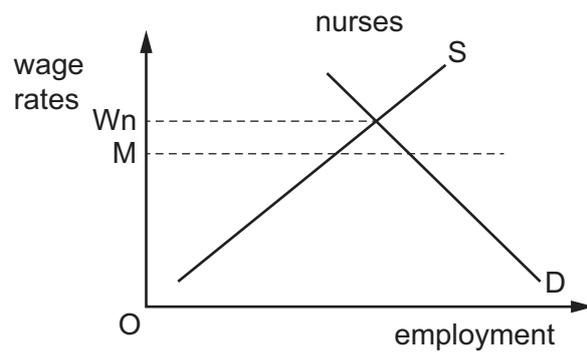
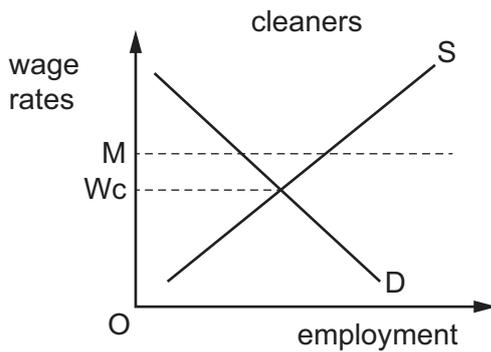
| | demand and supply diagram for petrol | demand and supply diagram for the store's goods |
|----------|--|---|
| A | shift of the demand curve to the left | shift of the supply curve to the left |
| B | shift of the demand curve to the right | shift of the demand curve to the left |
| C | shift of the supply curve to the left | shift of the supply curve to the right |
| D | shift of the supply curve to the right | shift of the demand curve to the right |

- 7 Which statement describes a market in disequilibrium?
- A** Excess demand results from a government maximum price below the equilibrium price.
B The point where the demand and supply curves cross.
C Price changes cause further changes in both demand and supply.
D The quantity demanded by consumers equals the quantity supplied by producers.
- 8 In response to an increase in price from \$5 per kg to \$6 per kg, a farmer increased supply from 400 kg to 500 kg per week.

What is the price elasticity of supply?

- A** 0.8 **B** 0.9 **C** 1.2 **D** 1.25

- 9 Which government measure is most likely to cause a fall both in price and in quantity traded?
- A indirect tax
 B maximum price
 C minimum price
 D subsidy
- 10 The diagrams show the wage rates of cleaners (OWc) and nurses (OWn).



What is the result if a national minimum wage of OM is introduced?

| | wage rates of cleaners | wage rates of nurses |
|----------|------------------------|----------------------|
| A | fall | rise |
| B | no change | fall |
| C | rise | fall |
| D | rise | no change |

- 11 What would cause a decrease in spending by households in a country?
- A a reduction in disposable income
 B a reduction in the rate of sales tax
 C lower interest rates
 D lower savings

12 Which combination shows the advantages of a small firm over a larger firm?

| | better communication | greater independence | lower average cost |
|----------|----------------------|----------------------|--------------------|
| A | no | no | yes |
| B | no | yes | no |
| C | yes | yes | no |
| D | yes | yes | yes |

13 What is a variable cost for a firm?

- A** the cost of raw materials
- B** the interest payment on existing loans
- C** the rent on the factory
- D** the insurance on the factory buildings

14 The table shows the daily average revenue and units of output sold for a firm producing bicycles over a five day period.

| day | average revenue (\$) | units of output sold |
|-----|----------------------|----------------------|
| 1 | 200 | 2 |
| 2 | 160 | 4 |
| 3 | 120 | 8 |
| 4 | 80 | 14 |
| 5 | 40 | 16 |

What can be concluded from the table?

- A** The firm's highest total revenue occurs at 2 units of output sold.
- B** The firm's highest total revenue occurs at 14 units of output sold.
- C** The firm's prices are always greater than total revenue.
- D** The firm's total revenue always increases as output rises.

15 Which function of money acts as a measure of value?

- A a medium of exchange
- B a standard of deferred payment
- C a store of wealth
- D a unit of account

16 What are the features of a highly competitive market when compared with a monopoly market?

| | price | profit |
|----------|--------|--------|
| A | higher | higher |
| B | higher | lower |
| C | lower | higher |
| D | lower | lower |

17 What is **not** a role of central government in a mixed economy?

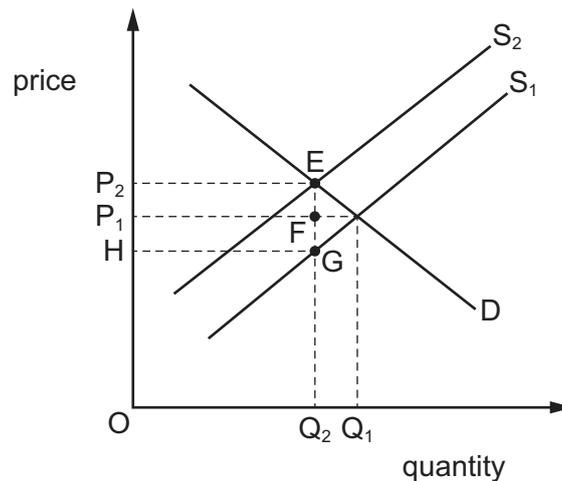
- A providing demerit goods
- B providing merit goods
- C providing public goods
- D stabilising the economy

18 A government wishes to prevent deflation.

Which combination of policies would be the most effective in achieving this aim?

| | interest rate | government spending |
|----------|---------------|---------------------|
| A | increase | increase |
| B | increase | reduce |
| C | reduce | increase |
| D | reduce | reduce |

19 The diagram shows the impact of a tax introduced on a product.



Which area represents the amount of tax paid by the consumer?

- A** HP_1FG **B** HP_2EG **C** OP_2EQ_2 **D** P_1P_2EF

20 Which statement about supply-side policy is correct?

- A** It aims to increase the productive potential of the economy.
B It aims to increase total demand in the economy.
C It involves changes in the equilibrium foreign exchange rate.
D It involves changes in the rate of interest.

21 Which change is most likely to cause faster economic growth in the short run?

- A** an increase in net emigration
B an increase in the birth rate
C an increase in the death rate
D an increase in the retirement age

22 How is the pattern of employment likely to change when a country becomes more developed?

- A** from rural employment to urban employment
B from skilled employment to primary employment
C from technical employment to manual employment
D from tertiary employment to secondary employment

23 Which item is **least** likely to be included in the Consumer Prices Index (CPI)?

- A domestic cooking oil
- B homemade clothes
- C milk
- D personal mobile phones

24 The table shows statistics for four countries **A**, **B**, **C** and **D**.

According to the data provided, which country has the lowest standard of living?

| | average years of schooling | life expectancy (years) | GDP per head (\$) |
|----------|----------------------------|-------------------------|-------------------|
| A | 6 | 45 | 200 |
| B | 7 | 47 | 200 |
| C | 9 | 60 | 220 |
| D | 12 | 59 | 1500 |

25 Economic development in country X has progressed at a greater rate than in country Y.

What is the most likely explanation of this difference in economic development between country X and country Y?

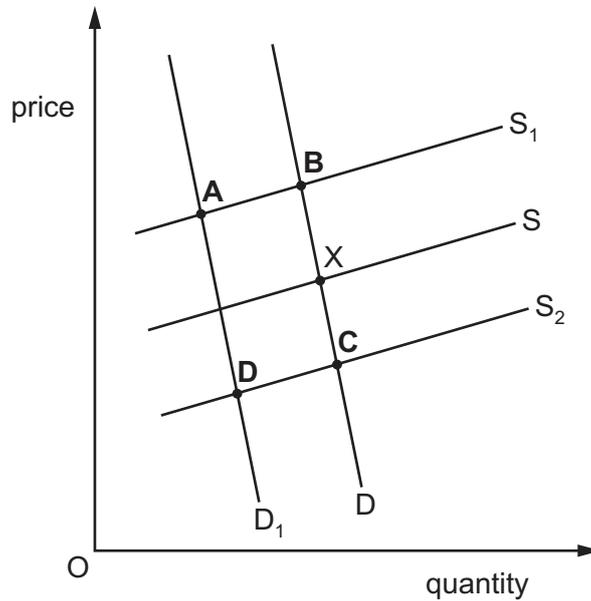
- A Country X has a higher level of spending on education than country Y.
- B Country X has a higher level of unemployment than country Y.
- C Country Y has a higher level of investment spending than country X.
- D Country Y has a higher level of spending on healthcare than country X.

26 A rise in which factor would cause an increase in the population growth rate of a country?

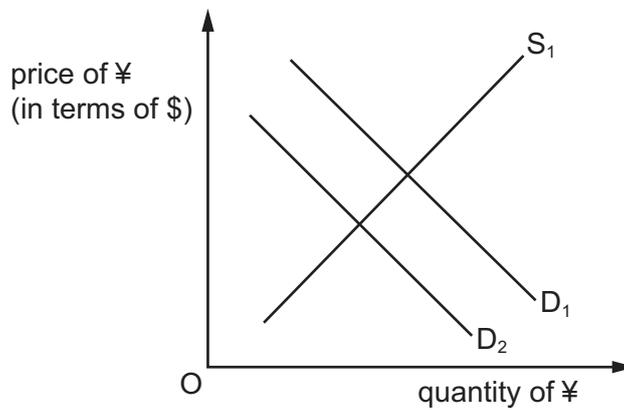
- A birth rate
- B death rate
- C infant mortality rate
- D net emigration

- 27 The diagram shows the market for an imported good with equilibrium at point X.
The country imposes a tariff on this good.

Is the new equilibrium at point **A**, **B**, **C** or **D**?



- 28 The diagram shows the market for the Chinese yuan (¥) priced in US dollars (\$).



What could have caused the change in demand for the yuan from D_1 to D_2 ?

- A** a decrease in foreign direct investment in China
- B** a decrease in the level of tariffs levied by China on imports
- C** an increase in the buying of yuan by central banks
- D** an increase in the Chinese rate of interest

- 29 The table shows the average exchange rate of the UK pound (£) to the US dollar (\$), that is the amount of \$ that can be bought with £1.

| year | exchange rate UK£/US\$ |
|------|---------------------------|
| 1 | 1.64 |
| 2 | 1.52 |
| 3 | 1.35 |
| 4 | 1.25 |

What is a likely effect of this change on the UK economy?

- A decreased cost-push inflation
 - B decreased current account deficit
 - C increased quantity of imports
 - D increased trade deficit
- 30 The table shows components of Japan's current account balance in trillion yen (¥) for 2 years.

| year | balance of goods ¥ trillion | balance of services ¥ trillion | balance of primary income ¥ trillion | balance of secondary income ¥ trillion |
|------|--------------------------------|--------------------------------------|--|--|
| 1 | -1.61 | -1.76 | 14.04 | -1.11 |
| 2 | -5.23 | -2.33 | 13.55 | -1.02 |

Which balance improved between year 1 and year 2?

- A balance of goods
- B balance of primary income
- C balance of secondary income
- D balance of services

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