

Cambridge IGCSE™ (9–1)

ECONOMICS

Paper 1 Multiple Choice

0987/11

May/June 2026

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 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.

1 Which government action is likely to reduce the problem of scarcity?

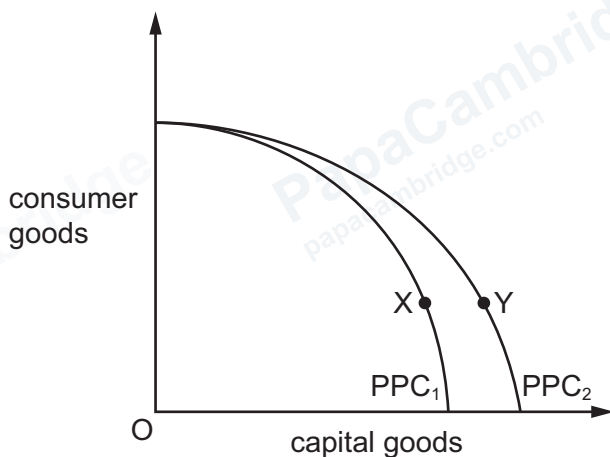
- A banning the import of raw materials
- B borrowing money to purchase more defence equipment
- C introducing maximum prices for essential goods
- D subsidising firms to discover more natural resources

2 Moni is considering leaving her full-time job to set up a new business.

What would be the opportunity cost of this decision?

- A the interest payment on the loan Moni takes for her business
- B the losses Moni incurs while her business is new
- C the salary Moni could have earned from her job
- D the wages Moni will have to pay to workers in her business

3 A country's production possibility curve (PPC) shifts from PPC_1 to PPC_2 and the economy's output moves from point X to point Y.



What has happened in this country?

- A the opportunity cost of capital goods has increased
- B economic growth has occurred
- C the production of consumer goods has increased
- D unemployment has fallen

4 What is the role of the price mechanism in a market economy?

- A to allocate scarce resources
- B to increase the provision of merit goods
- C to make the distribution of goods and services more equal
- D to reduce the negative externalities of production and consumption

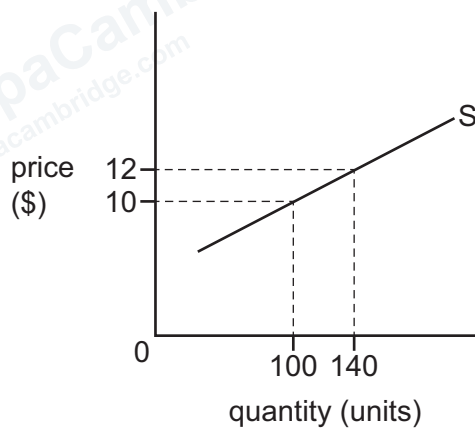
5 Good X is demanded in two areas, Y and Z. The table shows the amount of X demanded in these areas at different prices.

price of good X (\$)	quantity demanded per month	
	area Y	area Z
5	1000	200
10	800	150
15	600	100
20	400	50
25	200	0

What can be concluded from the table?

- A Consumers in area Y are more willing and able to buy good X than are consumers in area Z.
- B Consumers in area Y are richer than consumers in area Z.
- C Consumers in area Y want the good more than consumers in area Z.
- D There are more consumers living in area Y than in area Z.

- 6 The diagram shows the supply curve for a good.



What is the price elasticity of supply when the price rises from \$10 to \$12?

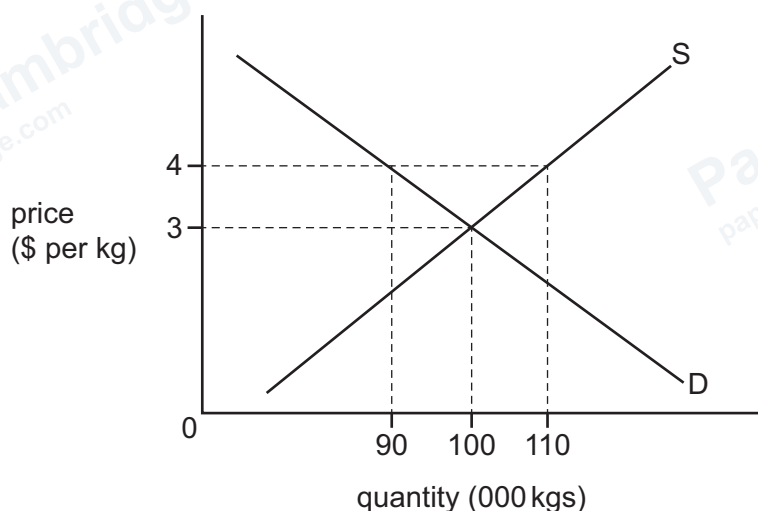
- A** 0.5 **B** 0.75 **C** 1.4 **D** 2.0
- 7 What does a market economic system rely on to make it efficient?
- A** agreements on prices among producers
B competition between rival producers
C government regulation of industry
D the nationalisation of industries

- 8 Economists refer to market failure.

What is a market failure?

- A** a lack of information about the effects of a medicine
B different rates of interest offered by banks
C queues to buy tickets at concerts
D seasonal variations in the prices charged for vegetables

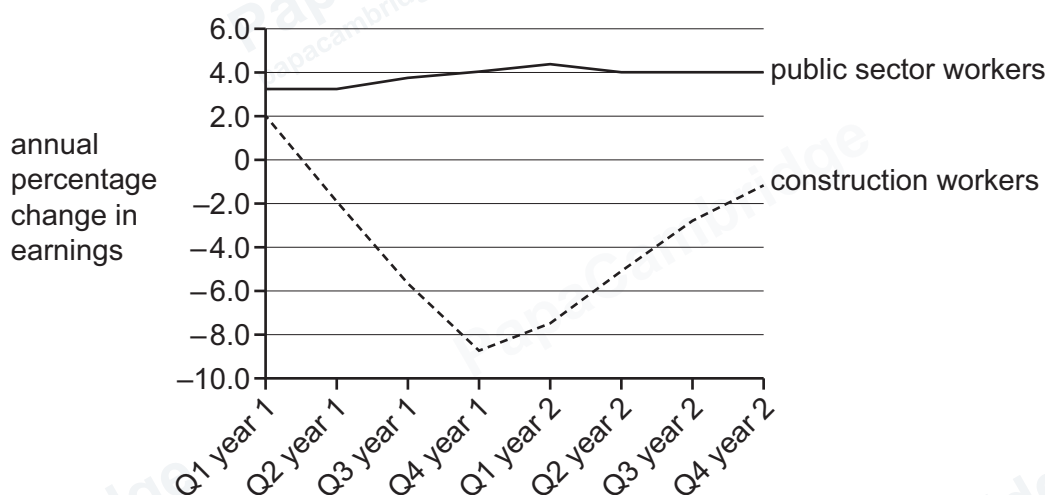
- 9 The government fixes a minimum price of \$4 per kg in the market for rice. It agrees to buy up any surplus rice at this price.



What will be the total spending by the government on rice?

- A \$20 000 B \$80 000 C \$360 000 D \$440 000

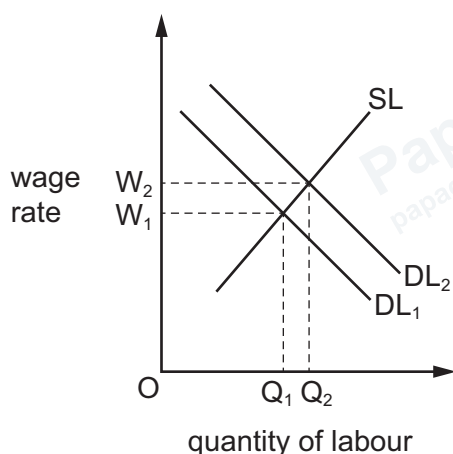
- 10 The chart shows the annual percentage change in earnings for public sector workers and construction workers for each quarter of two years.



What can be concluded from the data?

- A Construction workers earned less than public sector workers.
 B Construction workers' wages fell relative to public sector workers.
 C Construction workers' wages rose throughout year 2.
 D Public sector workers' wages did **not** change over the period.

- 11 The diagram shows an outward shift in the demand curve for dentists.



What is the most likely explanation for this?

- A an increase in non-wage benefits for dentists
 - B an increase in the number of dentists in the labour market
 - C an increase in the size of the population
 - D an increase in the wage rate of dentists
- 12 What will increase the strength of a trade union of workers who produce cars?
- A a decrease in the demand for cars made by the trade union members
 - B a decrease in the productivity of workers producing cars
 - C an increase in the number of car workers with trade union membership
 - D an increase in the capital intensity of car production
- 13 What does **not** influence the size of a firm?
- A the age of the firm
 - B the sector in which the firm operates
 - C the size of the market in which the firm operates
 - D the type of business organisation used by the firm

14 What is an advantage of capital-intensive production for a manufacturing firm?

- A** It can produce small amounts of specific products for different customers.
- B** It has the ability to continuously produce to the same standard of product.
- C** It is cheaper to set up than most labour-intensive forms of production.
- D** It is quicker to respond to changes in consumer tastes and preferences.

15 The table shows the output and total cost of a firm.

output (units)	total cost (\$)
0	30 000
10 000	100 000
20 000	400 000
30 000	500 000

What is the average fixed cost (AFC) of producing 20 000 units?

- A** \$0.50 **B** \$1.00 **C** \$1.50 **D** \$20.00

16 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

17 What is most likely to be provided by a government at a national level?

- A** armed forces
- B** household waste collection
- C** libraries
- D** sports facilities

- 18 The government of a country aims for a low rate of inflation of 2% per year.

What is a reason for choosing this aim?

- A A government budget surplus is guaranteed.
- B Falling prices are always a good thing.
- C Greater economic certainty will increase investment.
- D Menu costs and shoe-leather costs will be zero.

- 19 The table shows government receipts from taxation in year 1 and year 2.

	year 1 (\$ millions)	year 2 (\$ millions)
corporation tax	20	40
income tax	200	220
inheritance tax	10	5
tariffs	55	50
value-added tax	60	70

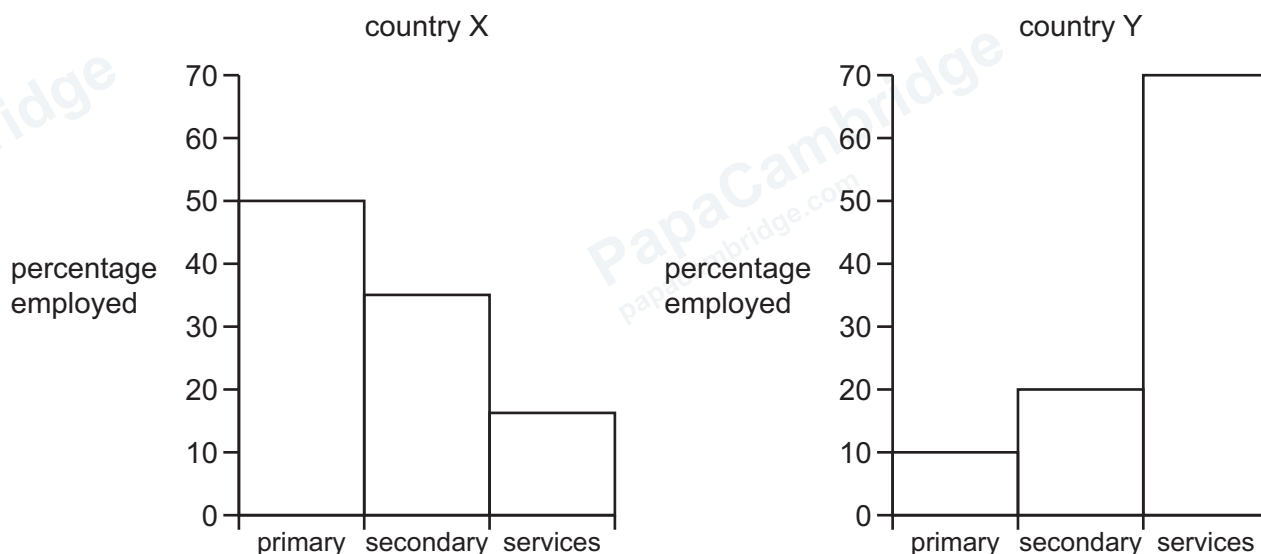
What can be concluded from the table?

- A Direct tax revenue increases from year 1 to year 2.
 - B Indirect tax revenue decreases from year 1 to year 2.
 - C Inheritance tax becomes more regressive from year 1 to year 2.
 - D Total tax revenue stays the same from year 1 to year 2.
- 20 What might be an undesirable outcome of expansionary monetary policy?
- A a fall in total demand
 - B a fall in the rate of unemployment
 - C a rise in economic growth
 - D a rise in the rate of inflation
- 21 Which measure is a supply-side policy?
- A a decrease in a fixed exchange rate
 - B a decrease in the rate of interest
 - C an increase in the money supply
 - D an increase in spending on education

22 An increase in which variable is most likely to cause a recession?

- A global demand
- B government spending
- C interest rate
- D money supply

23 The diagrams show percentage employment in different sectors in two countries.



Which statement is correct when comparing country X and country Y?

- A Country X employs more workers in secondary industry than country Y.
- B Country X produces more primary output than country Y.
- C Country Y produces more secondary output than country X.
- D Country Y is more developed than country X.

24 The price level in a country increased at a lower rate compared to the previous year.

Which term describes this?

- A currency depreciation
- B deflation
- C falling inflation
- D recession

- 25 What is **not** likely to be used to measure the difference in the standard of living between countries?
- A Gross Domestic Product per head
 - B Human Development Index
 - C the rate of interest
 - D the rate of poverty
- 26 Which feature is **not** a typical characteristic of a high-income country?
- A a high death rate
 - B a high literacy rate
 - C a large elderly population
 - D a low number of doctors per head
- 27 A country decides to specialise in making low-cost mass-produced clothing.
Which factor is most likely to have influenced this decision?
- A a large low-skilled workforce
 - B a shortage of raw materials to make cloth
 - C high transport costs for completed garments
 - D strong competition in the international market for clothes
- 28 What is a feature of globalisation?
- A a decrease in foreign investment
 - B a decrease in migration
 - C an increase in international trade
 - D an increase in tariffs
- 29 What is **least** likely to be a benefit of a floating exchange rate system?
- A It gives greater freedom to change the interest rate.
 - B It helps determine the market value of a currency.
 - C It provides greater certainty and stability.
 - D It reduces the requirement to keep foreign exchange reserves.

- 30 The table shows information from a country's current account of its balance of payments.

	\$ billion
exports of goods	20
imports of goods	24
net services	+5
net primary income	−8
net secondary income	−8

What is the country's current account balance?

- A** +\$1 billion **B** −\$4 billion **C** −\$7 billion **D** −\$15 billion

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