Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ECONOMICS **0455/12**

Paper 1 Multiple Choice **February/March 2015**

45 minutes

Additional Materials: Multiple Choice Answer Sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

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READ THESE INSTRUCTIONS FIRST

Write in soft pencil.
Do not use staples, paper clips, glue or correction fluid.
Write your name, Centre number and candidate number on the Answer Sheet in the spaces provided unless this has been done for you.
DO **NOT** WRITE IN ANY BARCODES.

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 separate Answer Sheet.

Read the instructions on the Answer Sheet very carefully.

Each correct answer will score one mark. A mark will not be deducted for a wrong answer.
Any rough working should be done in this booklet.

This document consists of **11** printed pages and **1** blank page.

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1 Which statement about factors of production is correct?

A Capital is the money people keep in the bank.

B Enterprise is found more in service industries than in manufacturing industries.

C Labour includes only those who work using their hands.

D Land includes resources found in or under the sea.

2 China earns enough income to purchase large quantities of natural resources from developing countries.

Which statement explains this situation?

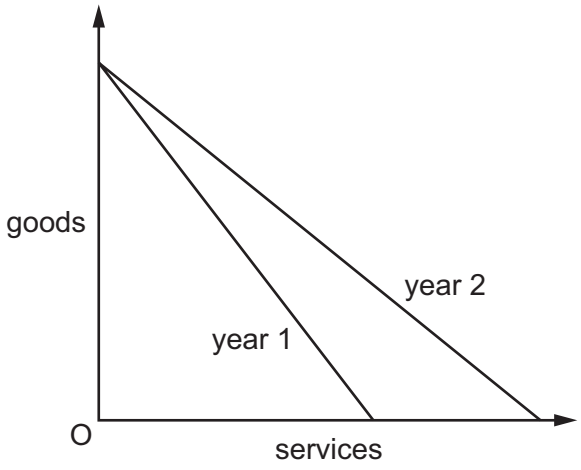
A China does not experience the economic problem of scarcity.

B Supplies of natural resources in China are limited relative to demand.

C There are unlimited supplies of natural resources in developing countries.

D There is an excess stock of land in China.

3 The diagram shows the change in an economy's production possibility curve from year 1 to year 2.



What might explain the change from year 1 to year 2?

A Resources have moved from the production of services to the production of goods.

B The number of workers unemployed in manufacturing has fallen.

C The producers of services have introduced better technology.

D The workers in the production of goods have become less efficient.

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4 The table shows the demand and supply schedules for eggs.

price $	number of eggs demanded per week	number of eggs supplied per week
0.20	450	25
0.30	250	100
0.40	125	125
0.50	50	150

What will be the equilibrium price of eggs?

A $0.20 **B** $0.30 **C** $0.40 **D** $0.50

5 As incomes have risen in India, cinema attendance has increased.

How would this change be shown on a demand and supply diagram?

	demand curve for cinema tickets	supply curve of cinema tickets
A	movement along	shifts to the left
B	movement along	shifts to the right
C	shifts to the left	movement along
D	shifts to the right	movement along

6 Although some economists believe that resources should be allocated through market forces, markets often fail.

What might be an example of market failure?

A access to subsidised health care

B monopoly pricing of electricity supplies

C prohibiting cigarette smoking in public places

D regulation of interest rates charged by banks

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7 A group of shops sells all its products at the same price of $1. It is still able to make a profit, although in other shops the products are sold at a higher price.

Which statement about this group of shops must be correct?

A Consumers recognise that the group's products are better value.

B Costs will be lower than in the other shops.

C Revenue will be less than in the other shops.

D The group does not advertise nor use any form of marketing.

8 In 2011, the Bank of England released into circulation a new design for the £50 note to replace the old design £50 note.

What might have been the reason for issuing these notes?

A to ease the use of the barter system

B to enable a means of exchange

C to lower the external value of the £ sterling

D to reduce inflationary pressures in the economy

9 A security company wishes to recruit an experienced person for a senior position to answer customers' emergency calls, some of which would be during the night. It is offering a good salary and a small apartment next to the company premises.

Which person would be most likely to apply and be offered the position?

A a confident person currently employed in installing security systems for the company

B a person who has experience of answering customers' queries in a travel company

C a recently qualified engineering graduate in security systems

D a reliable person who says that he needs to live with his young family of five children

10 Why do female workers in many countries have a lower income than male workers?

A Female workers are more experienced.

B Female workers are more likely to be employed part-time.

C Female workers are more likely to be in trade unions.

D Female workers have more qualifications.

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11 India is experiencing rapid growth in air travel. The number and size of airlines is increasing every year.

Which effect arising from this growth is an external economy of scale?

A Banks are more prepared to lend to large airlines rather than small airlines.

B Colleges are established to train flight crew.

C Fuel suppliers charge less to airlines that buy in bulk.

D Larger airlines operate aircraft which can carry more passengers.

12 The financial director of a company adds up the cost for the firm of rent, insurance, new machinery and the chief executive's basic salary. The director then divides that total by the firm's output.

What has the director calculated?

A average fixed cost

B average revenue

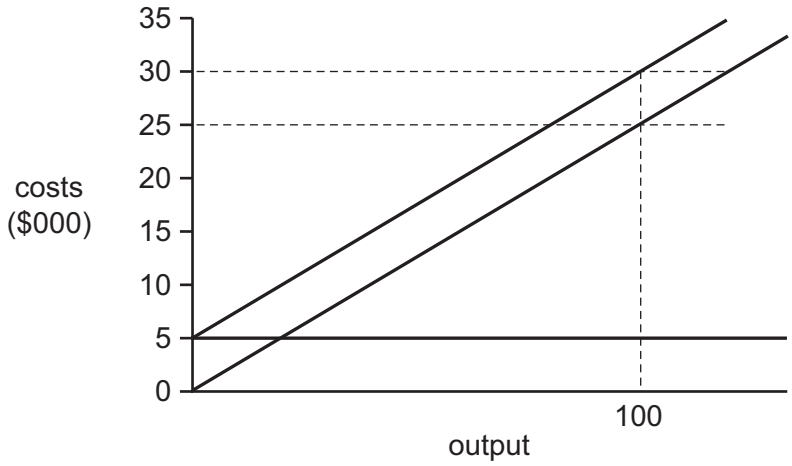
C average total cost

D average variable cost

13 If a perfectly competitive market becomes a monopoly, what will be likely to increase and what will be likely to decrease?

	increase	decrease
A	barriers to entry	economies of scale
B	consumer choice	prices
C	long-run profits	competition
D	output	market share

14 The diagram shows the fixed costs, variable costs and total costs of a firm.



What is the firm's total variable cost at an output of 100 units?

A $250 **B** $5000 **C** $25 000 **D** $30 000

15 A government achieves a high rate of economic growth.

What may result from this that might cause a conflict with other government aims?

A it may increase government income

B it may increase incomes for the lower paid

C it may increase the supply of exports

D it may increase the volume of imports

16 What type of tax is a tax of 10% on the price of petrol?

A a direct tax

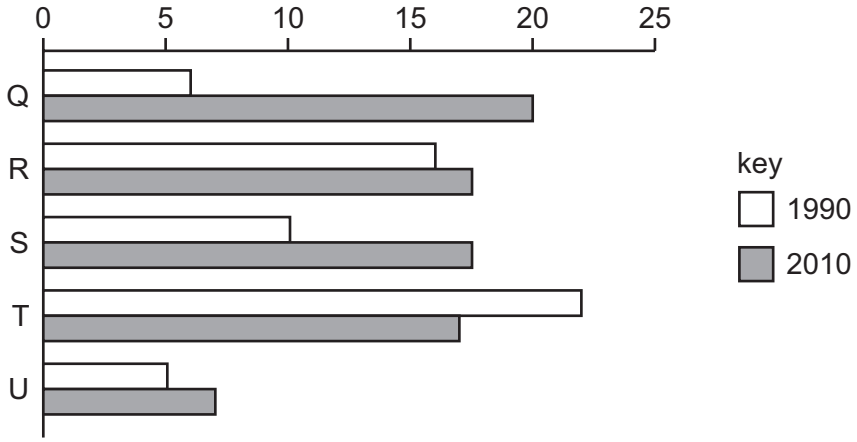
B a progressive tax

C an income tax

D an indirect tax

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17 The graph shows taxes on consumption as a percentage of total tax paid in some countries in 1990 and 2010.



Which conclusion can be drawn from the graph?

A Country Q collected more revenue from taxes than other countries in 2010.

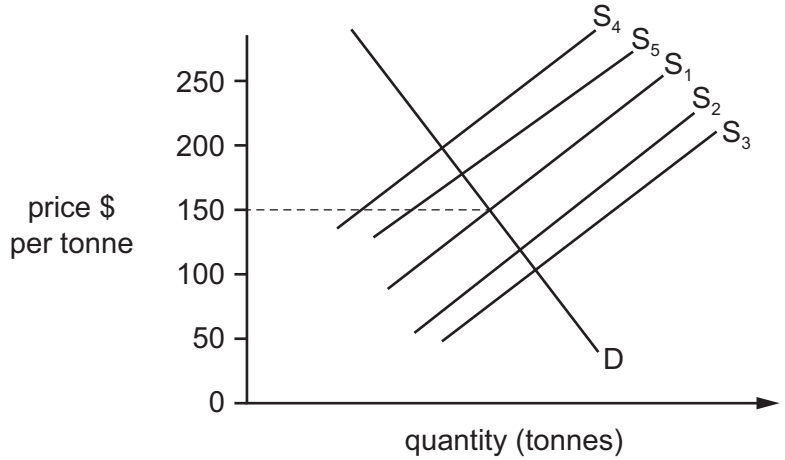
B Country T collected less revenue from taxes in 2010 than in 1990.

C Country U collected less revenue from taxes than Country S in 1990.

D Most countries imposed a higher percentage of indirect taxation in 2010 than in 1990.

18 When the equilibrium price of wheat is $150 per tonne, a government pays farmers a subsidy of $50 per tonne.

Which new supply curve represents the effect of this subsidy?



A S_2 **B** S_3 **C** S_4 **D** S_5

19 What could a government in a developed economy do to decrease demand?

A create a budget deficit

B increase government spending

C increase taxes

D reduce interest rates

20 A country closed its oil wells because it had used up most of its supplies of oil.

What type of unemployment would this cause?

A cyclical

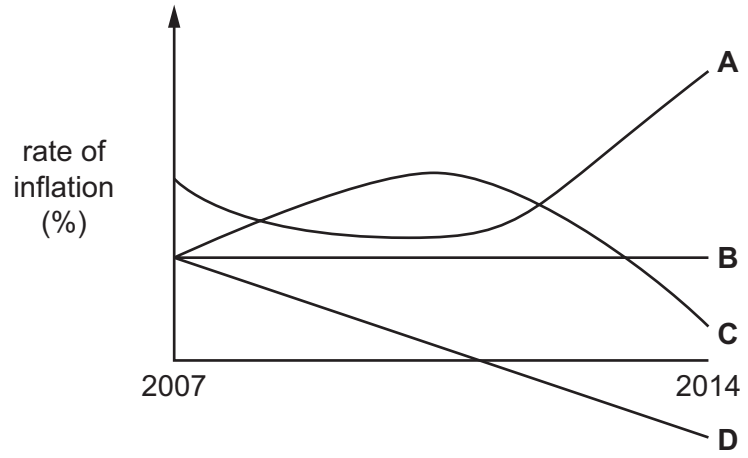
B frictional

C seasonal

D structural

21 The diagram shows the rate of inflation of four countries between 2007 and 2014.

Which country experienced some period in which the real value of money rose?



22 In a country, in one year, average transport prices rose by 15% and the price of electrical products fell by 15%. The two products had equal weights in the retail price index.

If no other prices changed, what happened to the index?

A It fell by less than 15%.

B It fell by over 15%.

C It remained unchanged.

D It rose by less than 15%.

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23 There is a decrease in a country's birth rate.

What must occur at the same time to lead to an increase in the country's population?

A positive net migration and a fall in the death rate

B positive net migration and a fall in the fertility rate

C zero net migration and a fall in infant mortality

D zero net migration and a fall in the fertility rate

24 In 2008, the Peruvian Government set itself the target of reducing the number of its people in poverty to 30% of the population.

What change does **not** indicate that the Peruvian Government had made progress towards this objective?

A a rise in employment

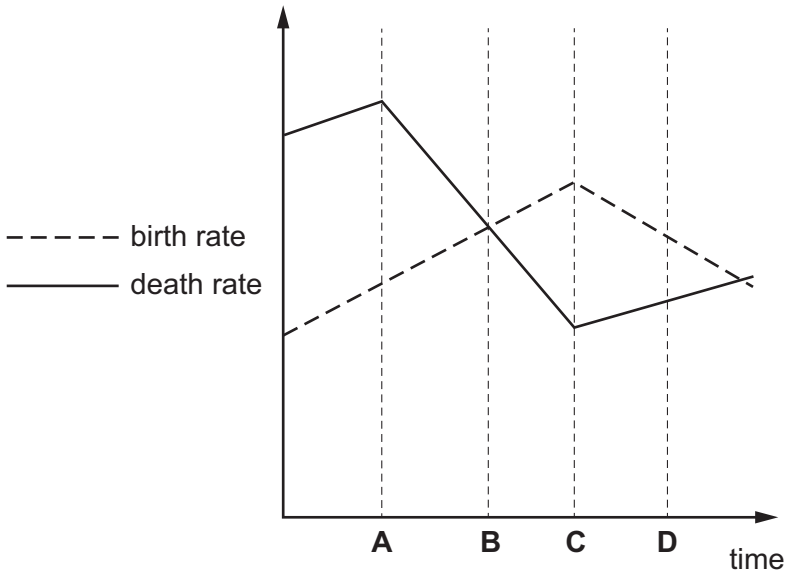
B a rise in infant mortality

C a rise in life expectancy

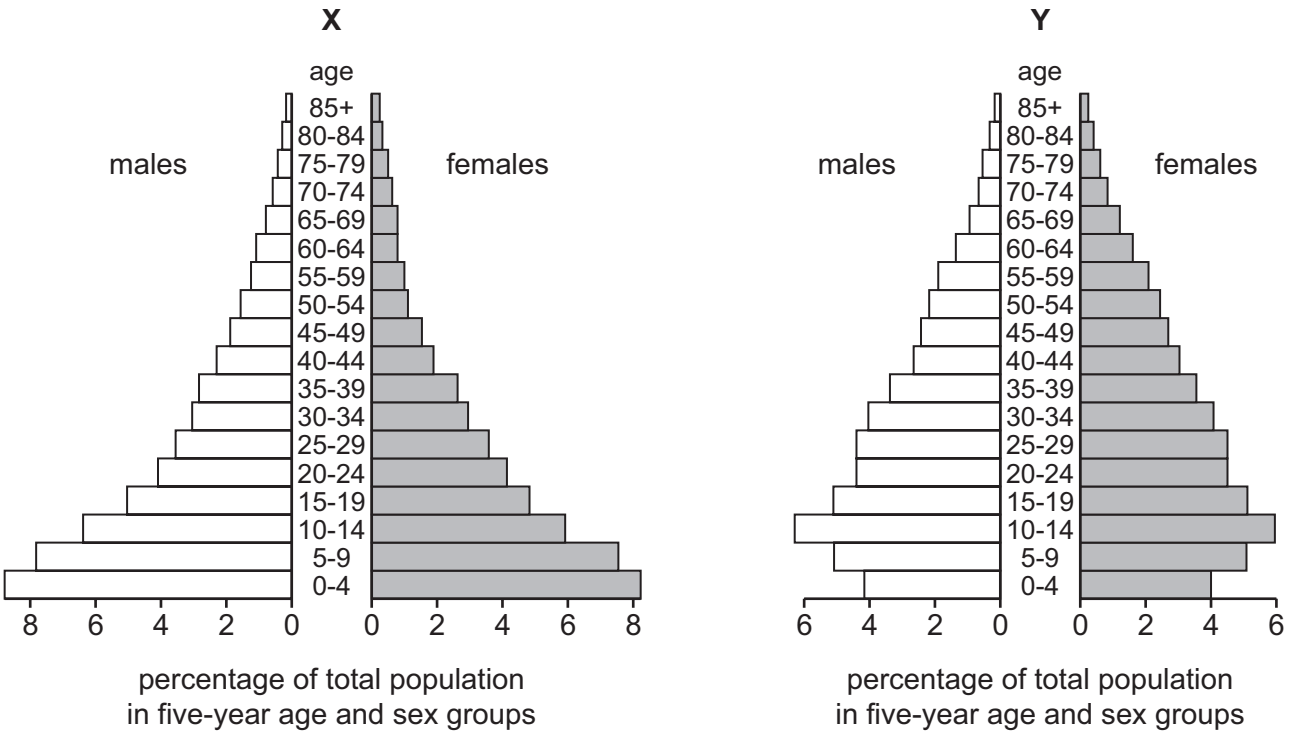
D a rise in the level of adult literacy

25 The diagram shows the birth and death rates for a country over a period of time.

At which point did the country's population fall?



26 The diagrams show population pyramids for two countries, **X** and **Y**.



What can be concluded from these pyramids?

A country **X** has the highest population

B country **X** is more typical of a developed country

C country **Y** has a higher birth rate

D country **Y** has a lower dependency rate

27 Which would cause a favourable change in the Kenyan trade in services (invisible) account?

A A Kenyan company wins a contract to transport exports from Uganda.

B A Kenyan tea company increases its exports.

C A Kenyan trade delegation visits India.

D A Zambian company increases its exports to Kenya.

28 What is most likely to result from an extension of specialisation in manufacturing?

A for the consumer some prices will be reduced

B for the country there will be less dependency on international trade

C for the employee the work will become more varied

D for the producer there will be less efficiency

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29 What would reduce the volume of international trade in the world economy?

A a German bank making a loan to a Nigerian company

B a Japanese car manufacturer establishing a factory in the Czech Republic

C the Canadian Government introducing quotas on Malaysian electronics products

D the Swedish Government granting aid to Somalia

30 The table shows the number of units of four currencies which exchanged for one US$ in 2003 and 2013.

In which country's currency would imports have become cheaper?

	country's currency	2003	2013
A	Hong Kong Dollar	7.7	7.7
B	Indian Rupee	45.2	61.6
C	Nepalese Rupee	72.1	98.8
D	Swiss Franc	1.3	0.9

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