Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ECONOMICS **0455/12**

Paper 1 Multiple Choice **February/March 2018**

45 minutes

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

* 4 8 8 4 1 4 3 3 5 6 *

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 **9** printed pages and **3** blank pages.

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1 What **best** describes the problem of scarcity?

A All consumer wants must be satisfied.

B All resources are free at the point of use.

C There are limited resources and unlimited wants.

D There are unlimited resources and limited wants.

2 What is an example of the purchase of a capital good?

A a farm owner purchasing additional land

B a farm owner purchasing a television

C a farm owner purchasing a tractor

D a farm worker purchasing some seeds

3 A student decides to buy a ticket for a concert instead of buying a new shirt.

What is the opportunity cost of buying the ticket?

A the concert

B the price of the ticket to the concert

C the shirt

D the time spent purchasing the ticket

4 In a market system who has the **most** important role in influencing the allocation of resources?

A consumers

B entrepreneurs

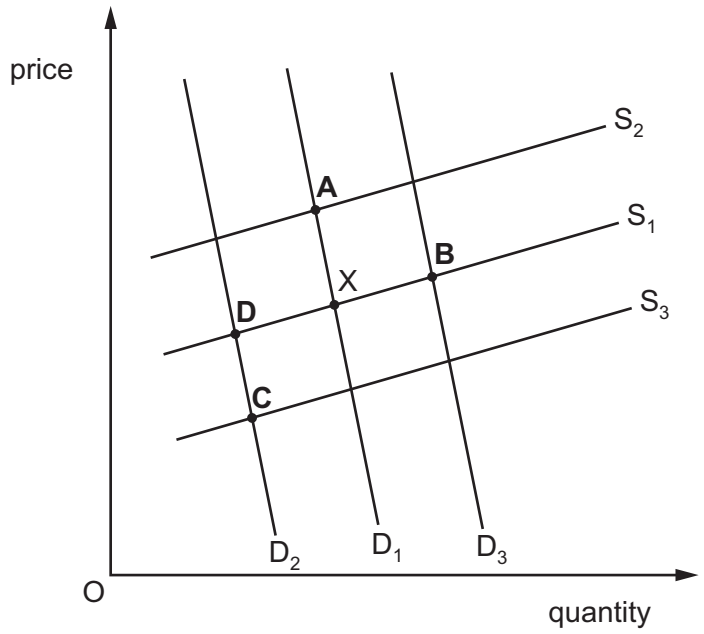
C government officials

D producers

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5 The diagram shows the market for oil. The initial equilibrium is X.

If the quantity of oil sold increased by two million barrels a day, which point represents the new equilibrium?



6 What is an external cost of mining coal?

A the cost of purchasing mining equipment

B the extra cleaning costs of local residents' houses because of coal dust

C the extra cleaning costs of the mine buildings because of coal dust

D the cost to the mine owners to remove waste

7 The table shows the demand for chocolates at two different prices.

price $	quantity demanded
0.50	400
0.45	480

What is the price elasticity of demand when the price falls from $0.50 to $0.45?

A less than 0.5

B between 0.5 and 1

C between 1 and 1.5

D greater than 1.5

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8 What is a function of a stock exchange?

A It allows company shares to be traded.

B It enables tourists to purchase foreign currency.

C It provides a market for firms to sell their products.

D It sets the rate of interest in an economy.

9 What is a direct benefit to a worker of specialisation?

A the higher output that may lead to higher earnings

B the higher output that may lead to higher profits

C the higher output that may lead to lower costs per unit produced

D the longer training period that is required before starting work

10 A trade union succeeds in raising the wages in an industry above the equilibrium wage.

How would the demand and supply of labour change?

	change in quantity of labour demanded	change in quantity of labour supplied
A	fall	fall
B	fall	rise
C	rise	fall
D	rise	rise

11 What is **most** likely to result from an increase in income tax?

A a fall in consumer spending

B a fall in government spending

C a rise in business investment

D a rise in the level of imports

12 Which statement explains why firms in perfect competition are **not** able to exploit consumers?

A The firms can restrict output.

B The products are differentiated.

C There are barriers to entry.

D There is perfect information.

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13 A company with a chain of restaurants bought another chain of restaurants.

How is this purchase **most** likely to be classified?

A conglomerate merger

B diversification

C horizontal integration

D vertical integration

14 The table shows some of the costs of running a retail shop in one week.

	$
rent of shop	200
insurance premium	40
purchase of stock	700
delivery of goods	50

What are the total fixed costs during this week?

A $200 **B** $240 **C** $700 **D** $750

15 A company's annual report suggested that it had benefited from some changes.

Which change is an internal economy of scale for this company?

A an improvement in road and rail facilities that has reduced its distribution costs

B an increase in the number of local specialist workers that it could recruit

C the introduction of new training at a local college for which staff have enrolled

D the reduction in the company's costs by the purchase of a factory supplying components

16 A government believes that consumption of a certain good will be of benefit to society.

Which policy is **most** likely to encourage producers to increase their output of that good?

A an increase in the period required for training the industry's workers

B an increase in the regulations affecting businesses

C an increase in the subsidies for that good

D an increase in the taxation of that good

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17 Which statement describes a progressive tax?

A a tax that has a higher percentage rate as income rises

B a tax that increases government income over time

C a tax that places an increasing burden on the poor

D a tax that rises in line with the rate of inflation

18 Which combination of government policies is **most** likely to reduce unemployment?

	income tax rate	government spending	rate of interest
A	decrease	decrease	increase
B	decrease	increase	decrease
C	increase	decrease	decrease
D	increase	increase	increase

19 Which pair of government actions combines a fiscal policy with a supply-side policy?

A changing government spending with changing interest rates

B cutting tax rates with providing information on job vacancies

C limiting bank lending with the privatisation of industry

D restricting credit with less control over labour markets

20 What is a recession?

A a period when incomes rise by less than inflation

B a period when prices are falling continuously for twelve months

C a period when real GDP is declining for two consecutive quarters

D a period when unemployment is rising

21 An economy is suffering from a period of deflation.

What does this mean for the economy?

A Consumers may delay purchase of some products.

B Purchasing power of consumers falls.

C Tax revenues for the government will rise.

D The real value of personal savings falls.

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22 The table shows the percentage change in employment over a period for a country with three economic sectors.

economic sector	change in employment (%)
agriculture	–6
manufacturing	+2
services	+4

What could be concluded from this information?

A Agricultural output fell.

B The country became more developed.

C The working population stayed constant.

D Total employment remained the same.

23 Official statistics in 2010 showed South Africa had a very high unemployment rate at around 25%, although wages were double those in Brazil.

What might be a reason for South Africa's high wages in a time of high unemployment compared with Brazil?

A a skilled workforce in Brazil

B high levels of savings in South Africa

C more labour-intensive production in Brazil

D strong trade unions in South Africa

24 What is a common feature of developed countries?

A a high fertility rate

B a low population

C high net emigration

D low birth rates

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25 Which combination of changes in a government's budget will lead to greater income inequality?

	direct taxes	indirect taxes	health and education spending
A	decrease	decrease	increase
B	decrease	increase	decrease
C	increase	decrease	decrease
D	increase	increase	increase

26 The table shows the percentage of the working population in different sectors in three countries.

country	agriculture (%)	manufacturing (%)	services (%)
Iran	38	33	29
Nepal	93	2	5
UK	2	42	56

What can be concluded from the table?

A Iran has fewer people working in the secondary sector than the UK.

B Nepal is a developed economy.

C The tertiary sector is more developed in Iran than in Nepal.

D The UK is dependent on the primary sector.

27 Which method of trade protection has the **most** predictable effect in controlling the level of imports?

A quotas on imports

B safety and quality regulations for imports

C subsidies to domestic producers

D tariffs on imports

28 What would cause a favourable change in the Indian trade in services (invisible) account?

A A Japanese company invests in a subsidiary in India.

B A large Indian company increases its exports of goods.

C A Malaysian company increases its exports to India.

D An Indian company wins a contract to transport South African exports.

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29 In October 2015, one UK pound could be exchanged for 100 Indian rupees. By October 2016, one UK pound could be exchanged for 80 Indian rupees.

What would be a short-term consequence of this change?

A Economic growth in India would increase.

B Indian manufacturers would earn higher profits from exports to the UK.

C Inflationary pressure in the UK would reduce.

D UK manufacturers would find it easier to export to India.

30 A country imports oil which is used in the production and distribution of goods. The country has also experienced a rise in incomes which has resulted in a large increase in the demand for goods, some of which it imports.

What is likely to happen to the country's balance of trade in goods (visible) and to the price of oil?

	balance of trade in goods	price of oil
A	improves	falls
B	improves	rises
C	worsens	falls
D	worsens	rises

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