Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

ECONOMICS **0455/12**

Paper 1 Multiple Choice **February/March 2019**

45 minutes

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

* 3 7 2 4 3 6 7 1 9 5 *

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 All countries need to produce food.

Which type of agriculture would make the best use of the resources of developing and developed economies?

	developing	developed
A	capital-intensive	capital-intensive
B	capital-intensive	labour-intensive
C	labour-intensive	capital-intensive
D	labour-intensive	labour-intensive

2 A farmer reduces the land used to grow wheat from 80 hectares to 60 hectares and increases the use of the land for growing potatoes from 80 to 100 hectares.

What is the opportunity cost of this change?

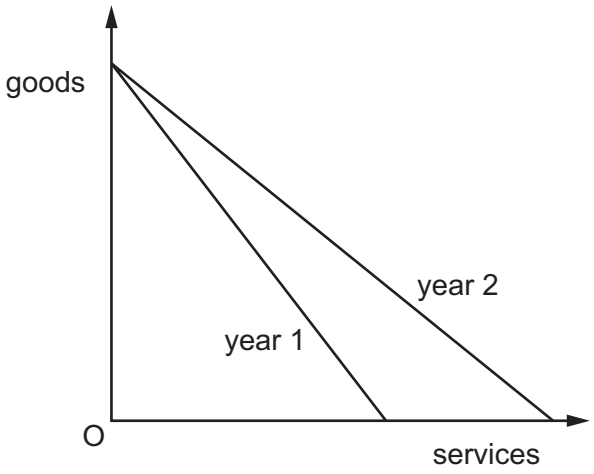
A The output from 20 hectares used for growing potatoes.

B The output from 20 hectares used for growing wheat.

C The output from 60 hectares used for growing wheat.

D The output from 80 hectares used for growing potatoes.

3 The diagram shows the change in an economy's production possibility curve (PPC) 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 What can be found in a market economy?

A externalities and monopolies

B interest rates and public goods

C public corporations and market prices

D tax rates and commercial banks

5 A private sector firm is given a contract by the government to supply a country's water.

Which government directive will minimise the risk of market failure?

A allow the firm to ration water rather than meet demand

B ensure the firm's supply includes all areas which are expensive to service

C insist that the firm aims to maximise profits

D instruct the firm to provide water only to those who can pay for it

6 What is meant by the equilibrium price in the market for a good?

A the average price paid by consumers

B the price at which maximum profit is made

C the price at which the producer breaks even

D the price at which the supply and demand curves intersect

7 The table shows the effect of a change in the market price from $5 to $6 on the supply of mobile (cell) phones.

price ($)	supply (units)
5	10 000
6	15 000

Which statement about the price elasticity of supply of mobile phones is correct?

A Price elasticity of supply is 0.4.

B Price elasticity of supply is 2.5.

C Supply is perfectly elastic.

D There is unit elasticity.

8 What could discourage women from seeking employment?

A More education and training are provided.

B More flexible and part-time jobs are available.

C There are fewer promotion opportunities for women.

D There is a shift in employment to the services sector.

9 What would be **least** likely to act as a store of value during a period of rapid inflation?

A cash

B gold

C property

D shares

10 The table shows how three people (X, Y and Z) spend their income.

	person X	person Y	person Z
food, clothing and housing	30%	25%	50%
entertainment and leisure	35%	35%	25%
luxury goods	35%	40%	25%

For these three people, what is the **most** likely order of income, from lowest income to highest income?

A $Y \rightarrow X \rightarrow Z$

B $Y \rightarrow Z \rightarrow X$

C $Z \rightarrow X \rightarrow Y$

D $Z \rightarrow Y \rightarrow X$

11 The table shows the weekly values of certain items for the average person in each group.

In which group does the average person save the most?

		income ($)	spending ($)	borrowing ($)
A	employed workers	500	400	50
B	retired people	150	140	0
C	school students	25	30	5
D	unemployed	200	300	100

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12 Which type of business is always in the public sector?

A monopoly

B multinational corporation

C public corporation

D public limited company

13 When will a firm maximise its profits?

A when it excludes a rival supplier from the market

B when it produces where average cost and average revenue are equal

C when it sells as many products in as many different markets as it can

D when the difference between total cost and total revenue is greatest

14 The table shows the costs of a firm.

units of output	variable costs ($)	total costs ($)
10	20	80
20	50	110
30	80	140
40	110	170

What is the value of the firm's fixed costs?

A $20 **B** $30 **C** $60 **D** $80

15 A firm's average revenue is $10. It sells 2000 units.

What is the firm's total revenue and the price of the product?

	total revenue ($)	price ($)
A	10	10
B	2 000	200
C	20 000	10
D	20 000	200

16 Which measure would a government take to reduce a current account deficit?

A increase tariffs

B increase value added tax

C reduce income tax

D reduce domestic subsidies

17 What is an example of an expansionary fiscal policy?

A decreased budget deficit

B higher interest rates

C increased money supply

D reduced tax rates

18 A government lowers interest rates to encourage more borrowing and spending by households to increase economic growth.

Why could this lead to a conflict with other government aims?

A It could cause uncertainty and lead to lower demand.

B It could encourage more savings and lead to higher unemployment.

C It could lead to lower prices of consumer goods and result in deflation.

D It could stimulate consumer demand and lead to inflation.

19 Which policy would be **most** likely to reduce unemployment in the short run?

A a programme of privatisation

B a reduction in the standard rate of income tax

C grants to firms to research new technology

D removal of all restrictions on imports into the country

20 A country has the highest GDP per head in the world.

What is this information **most** likely to suggest about the country?

A It has the world's biggest economy.

B It has the world's fastest economic growth rate.

C It has the world's greatest size of population.

D It has the world's highest standard of living.

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21 What is included in the Human Development Index (HDI) of a country?

A level of net immigration

B life expectancy at birth

C population size

D rate of population growth

22 What is an example of someone who lost their job because of structural unemployment?

A Aneesha lost her job as an engineer when her firm had to make redundancies in a recession.

B Jamie lost his job as an ice cream seller during the winter months when little ice cream was sold.

C Sunjeev decided to stop working and claim benefits when the government increased unemployment benefits.

D Sunjit lost his job as a bank worker when the bank replaced his job with a new computer system.

23 An economy experienced deflation.

Which combination shows the likely outcome of this?

	consumer confidence	price level	investor confidence
A	decrease	decrease	decrease
B	decrease	increase	decrease
C	increase	decrease	increase
D	increase	increase	increase

24 A developing country starts to show increases in economic growth.

What is **most** likely to occur?

A a reduction in imports

B a reduction in the number of doctors per capita

C an increase in absolute poverty

D an increase in incomes

25 A country's minister for agriculture said

> "the biggest challenge the country faces is to develop irrigation so that we are not at the mercy of the weather for crucial export earnings".

Which type of country is this most likely to be?

A developed, exporting manufactured goods

B developed, exporting services

C developing, exporting primary commodities

D developing, exporting services

26 The table shows the birth rate and death rate for four countries for a given year.

If there is no migration, which country has the greatest rate of increase in population?

	country	birth rate	death rate
A	Botswana	30	7
B	Brunei	27	3
C	Indonesia	24	8
D	Mauritius	21	7

27 What usually decreases when there is a depreciation of a country's foreign exchange rate?

A the level of national debt

B the level of trade protection

C the price of exports

D the price of imports

28 A country imposes tariffs and quotas on imported goods.

What will citizens of that country experience?

A higher prices

B higher unemployment

C higher welfare

D wider consumer choice

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29 The table shows a country's balance of payments that has no secondary income (current transfers).

item	$ million
exports of goods	280
imports of goods	350
exports of services	110
imports of services	60
net primary income	–40

What is the country's current account balance?

A a deficit of $60 million

B a deficit of $160 million

C a surplus of $20 million

D a surplus of $760 million

30 Skin creams preventing sunburn made in the European Union (EU) are more effective than those made in the United States (US). US tourists stock up on the creams when visiting Europe. Such creams are banned from production in the US because of the chemicals in them. In 2013, negotiations began to remove this ban in order to allow production in the US.

How is this freer trade likely to affect manufacturers of skin creams in the US and the EU?

	manufacturers in the US	manufacturers in the EU
A	gain	gain
B	gain	lose
C	lose	gain
D	lose	lose

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