UNIVERSITY OF CAMBRIDGE INTERNATIONAL EX
International General Certificate of Secondary Educati

ECONOMICS

Paper 1 Multiple Choice

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

* 2 6 9 5 6 5 4 3 4 9 *

READ THESE INSTRUCTIONS FIRST

Write in soft pencil.
Do not use staples, paper clips, highlighters, 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.

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 Each of the factors of production earns an income.

What are the incomes for land and capital?

	land	capital
A	rent	interest
B	rent	profit
C	wages	interest
D	wages	profit

2 A firm decides to stop manufacturing ovens and to produce washing machines instead.

What is the opportunity cost to the firm?

A the additional washing machines produced

B the cost of producing ovens

C the cost of producing washing machines

D the loss of the production of ovens

3 What is an advantage of the market economic system?

A It aims for equality of income.

B It ensures the provision of defence and law and order.

C It gives an incentive to produce.

D It reduces pollution and congestion.

4 What is meant by the economic problem?

A how to achieve efficiency with the existence of fixed resources and limited wants

B how to allocate resources between public and private sectors

C how to balance unlimited wants against finite resources

D how to decide which methods to use to exploit all resources

5 The table shows the changes in two influences on the demand for

If these two changes occurred at the same time, in which case i televisions to rise?

	consumers' incomes	costs of production
A	fall	fall
B	fall	rise
C	rise	fall
D	rise	rise

6 In a country where the demand for petrol (gas) is price-inelastic, the incidence of any increase in petrol tax will be mainly on

A the company that refines the oil.

B the motorist who buys the petrol.

C the petrol station that sells the petrol.

D the wholesale company that stores the petrol.

7 What is an example of market failure?

A a growth of competition

B an existence of scarcity

C a spread of pollution

D a surplus of production in the short-term

8 Which action by the operators of an airport directly reduces external costs?

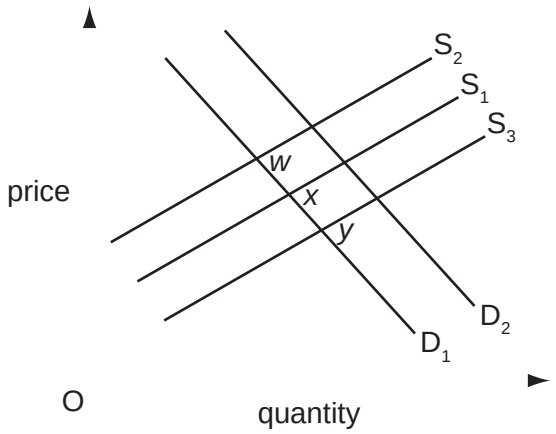
A the stopping of night flights

B the building of a new runway

C the payment of a productivity bonus

D the reduction of charges for landing aircraft

9 Due to changes in the costs of production, an industry's supply from S_1 to either S_2 or S_3.



If a shift in supply was due to a seasonal increase in the cost of raw materials, what would have been the effect on demand?

A The demand curve would move from D_1 to D_2.

B The quantity demanded would move from *x* to *w*.

C The quantity demanded would move from *x* to *y*.

D The quantity demanded would remain the same at *x*.

10 A person wishes to buy shares in order to make a long-term profit, but wants as little risk of short-term loss as possible.

Which type of share is **most** likely to meet these wishes?

A a share in a coffee growing company

B a share in a fashion house

C a share in a high-tech electronics company

D a share in a supermarket chain

11 Which statement about a country's banks is correct?

A Commercial banks hold the financial accounts of the government.

B Commercial banks settle debts by clearing customers' cheques.

C The central bank sets the government's tax and spending policies.

D The central bank supplies foreign currency to members of the public.

12 Why might factory workers have higher wage rates than agricultur

A Factory workers are in greater supply.

B Factory workers face fewer risks of accidents.

C Factory workers have cleaner working conditions.

D Factory workers use more productive equipment.

13 A musician has a choice of playing for an orchestra in either Engl

Which combination of incomes and cost of living is **most** likely to cause her to choose the German orchestra?

	Incomes and cost of living in Germany compared with those in England		
	pre-tax (gross) income	after-tax (net) income	cost of living
A	higher	higher	higher
B	higher	lower	lower
C	lower	higher	higher
D	lower	higher	lower

14 What may cause an individual to save a higher proportion of their income?

A a belief that the price of goods will rise in the future

B a fall in the rate of interest paid by the country's banks

C a fear that income will fall in the future

D a rise in the individual's wish to enjoy higher consumption immediately

15 A firm raised the price of its product from $10 to $15 and as a result its sales fell from 200 units to 150 units.

What happened to its average revenue and total revenue?

	average revenue	total revenue
A	decreased	decreased
B	decreased	increased
C	increased	decreased
D	increased	increased

16 Which change must occur when a firm starts to experience diseco

A Average costs begin to rise.

B Employees are made redundant.

C Profits turn into losses.

D Variable costs become fixed.

17 If a firm increases its output in the short run, what will happen to it

A AFC will decrease continually.

B AFC will equal zero.

C AFC will increase then decrease.

D AFC will increase continually.

18 Cathay Pacific, Hong Kong's largest airline, flies to a number of countries.

Shares in the firm are owned by both individuals and other firms in a number of countries. The shares are traded on the Hong Kong Stock Exchange.

Which type of business organisation is Cathay Pacific?

A a partnership

B a private limited company

C a public corporation

D a public limited company

19 A major computer company announced that its profits had fallen below the level predicted.

What might have caused this?

A increased advertising costs that greatly improved sales

B low prices that made the company's product competitive

C new technology that reduced costs

D reduced sales and low prices

20 When is a direct tax described as progressive?

A when the government changes the basic rate of tax in each budget

B when the government taxes companies rather than individuals

C when the tax takes a larger proportion of earnings as earnings increase

D when the tax takes a smaller proportion of earnings as earnings increase

21 In 2008, the government of Argentina imposed a tax on exports of

What was the **most** likely aim of this tax?

A to increase agricultural output

B to increase exports

C to reduce a budget surplus

D to reduce the rise in domestic food prices

22 During 2009 some governments adopted policies to try to end the recession in their country and increase economic growth.

Which combination of policies is **most** likely to achieve this?

A lower taxes and decrease government spending

B lower taxes and increase government spending

C raise taxes and decrease government spending

D raise taxes and increase government spending

23 The central bank of Mexico set its rate of interest to try to keep the rise in the price level to only 3 %.

Which government aim was it directly trying to achieve?

A balance of payments equilibrium

B economic growth

C full employment

D low inflation

24 Why may GDP **not** be a good measure to compare the standard of living of two countries?

A It does not include government expenditure.

B It does not take account of population size.

C It is based on a sample 'basket of goods'.

D It only compares export prices with import prices.

25 The table shows the percentage change in employment over a economic sectors.

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

Which statement must be correct?

A Agricultural output fell.

B The country became more developed.

C The working population stayed constant.

D Total employment remained the same.

26 Many developed countries are faced with an ageing population.

What is the likely result of this?

A a reduced dependency ratio

B increased mobility of labour

C increased spending on medical care

D reduced tax levels

27 The table shows statistics for four countries in southern Africa.

From the information given, which country has the lowest standard of living?

	average annual growth rate of population (%)	population density per square kilometre	life expectancy	real GDP per capita (US$)
A	1.9	19	46	190
B	2.7	2	58	1700
C	3.7	45	59	210
D	4.2	89	44	190

28 What is likely to happen as a developing country becomes more d

A A higher percentage of children will attend school.

B Infant mortality will rise.

C Life expectancy will fall.

D The agricultural sector will increase in importance.

29 A government may use customs barriers to restrict free trade.

What is an economic reason for doing this?

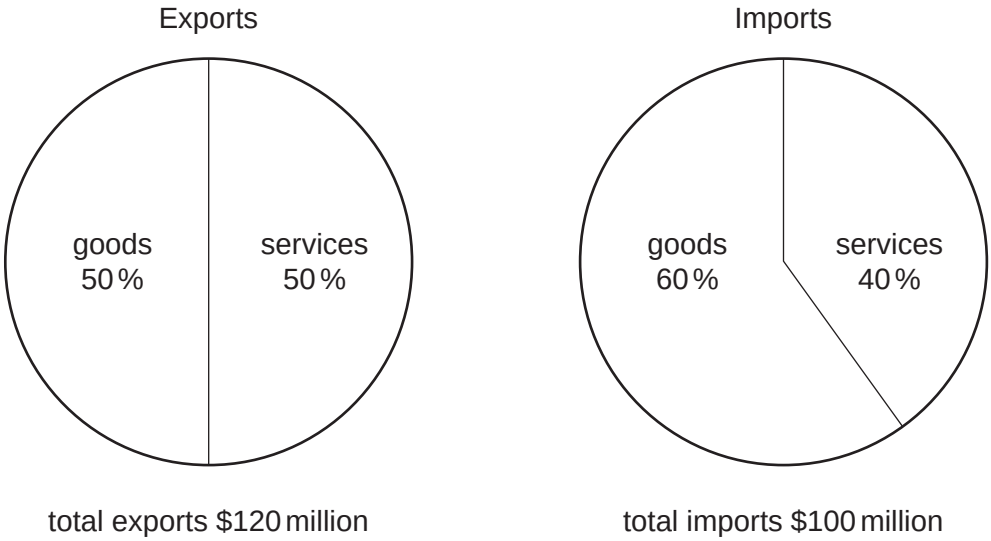
A to discourage the production of strategic goods

B to improve the balance of trade

C to increase a balance of payments deficit

D to make imports cheaper

30 The diagrams show the composition of exports and imports of a country.



What is true for this country?

A There was a deficit in the balance of trade in goods.

B There was a deficit in the balance of trade in services.

C There was a surplus in the balance of trade in goods.

D There was a surplus in the balance of trade in services.

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