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)

9795280331

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 **11** printed pages and **1** blank page.

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1 Which combination of resources and wants causes the economic

	resources	wants
A	limited	limited
B	limited	unlimited
C	unlimited	limited
D	unlimited	unlimited

2 What does an economist mean by capital?

A man-made goods that do not directly satisfy human wants

B money used to set up new businesses and expand existing businesses

C natural resources that will not be replaced

D the ability to earn profits by combining resources to produce goods

3 A student leaves school and decides to spend the next two years at a college to improve her qualifications.

What is the opportunity cost to the student of taking this decision?

A the cost of the course fees at the college

B the increase in job opportunities she will have as a result of her extra qualifications

C the lost production due to her not being in work

D the money she would have earned if she had been in work for the two years

4 What is found in a mixed economy but **not** a free market economy?

A banks

B division of labour

C price controls

D profit motive

5 A large shop selling clothes opened in a town. Its prices were selling similar items. As a result many more customers came restaurants near the shop. The restaurants reported a 10 % increa

What economic concept does the above statement best illustrate?

A external benefit

B inelastic demand

C market failure

D perfect competition

6 What is **not** held constant in constructing a demand schedule?

A the incomes of consumers

B the prices of complementary goods

C the price of the good itself

D the tastes of consumers

7 A shop sells chocolate birthday cakes. When the price was $15 it sold 40 cakes. It reduced the price to $10 and sold 60 cakes.

What can be concluded from this?

A The firm will make less profit because the price has fallen.

B The firm will make more profit because sales have increased.

C The price elasticity is inelastic because demand only increased by 50 %.

D There is unit price elasticity because the firm's revenue remained the same after the price change.

8 In 2010, a major oil leak from an oil rig affected many people living around the Gulf of Mexico.

What type of market failure did they experience?

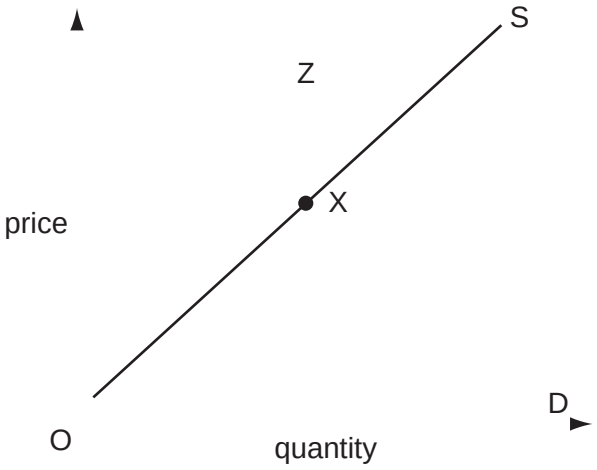
A monopoly exploitation

B negative externality

C price discrimination

D rising tax burden

9 What changes would move the equilibrium in the diagram from area Z?



A a decrease in demand with a decrease in supply

B a decrease in demand with an increase in supply

C an increase in demand with a decrease in supply

D an increase in demand with an increase in supply

10 What is likely to cause wages in an occupation to be high?

A a low level of responsibility

B high unemployment

C pleasant working conditions

D the need for special skills

11 A trade union negotiates a basic weekly wage for its members with all employers in an industry. In addition to the basic wage, one company also operates a production bonus at factory level.

What is the aim of this company?

A to give equal wages to all workers

B to increase the efficiency of the workers

C to introduce a minimum wage

D to reduce its total wage bill

12 What might cause a rise in the proportion of income that a person

A a fall in interest rates

B a fall in population

C a fall in real incomes

D a fall in the income tax rate

13 For anything to be used as money, it must be

A a fixed value.

B in fixed supply.

C legal tender.

D readily acceptable.

14 The table shows information for two workers.

	doctor	window cleaner
annual income ($)	50 000	20 000
total deductions ($)	10 000	8 000

Both workers save 10 % of their disposable income.

How much is this in each case?

	doctor	window cleaner
A	$12 000	$40 000
B	$1 200	$4 000
C	$40 000	$12 000
D	$4 000	$1 200

15 Which is a diseconomy of scale?

A Bulk buying reduces costs.

B Communications deteriorate.

C Employees are more motivated.

D Technological improvements take place.

16 The financial director of a company adds up the cost for th
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

17 Amit and Pardeep set up in business together. Each has half of the shares in the business and limited liability.

What type of business organisation is this?

A a co-operative

B a partnership

C a private company

D a public company

18 The table shows a firm's average revenue and average cost.

What level of output, **A**, **B**, **C** or **D**, gives maximum profit?

	output (units)	average revenue ($)	average cost ($)
A	5	10	30
B	10	20	20
C	15	25	15
D	20	30	18

19 If a perfectly competitive market becomes a monopoly, what will will be likely to decrease?

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

20 What would be **most** likely to reduce the rate of inflation?

A an increase in direct taxes

B an increase in government expenditure

C an increase in indirect taxes

D an increase in the budget deficit

21 Why are schools sometimes built and run with government money?

A The private sector could not afford the cost of investment to build schools.

B The private sector would have lower standards than government schools.

C The provision of schools by the government ensures the widest choice for students.

D There are external benefits from the provision of education.

22 Changes in demand mean that the government of Bangladesh hopes to switch some production from clothes made by low-paid, unskilled workers to medicines produced by highly-trained technicians.

Which policies would enable Bangladesh to achieve this switch in employment and production?

A close clothes factories and decrease imports

B encourage immigration of foreign labour and introduce tariffs on clothing

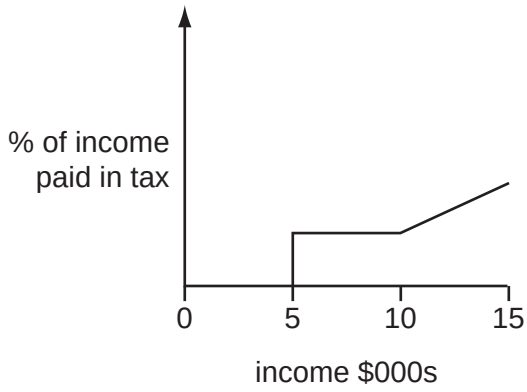
C invest in education and purchase new machines

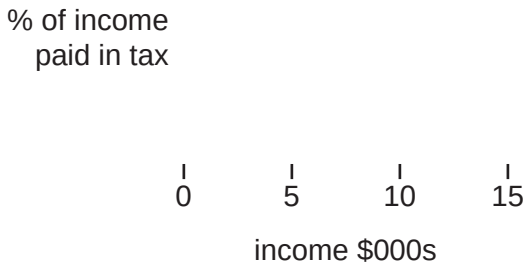
D substitute labour for machines and encourage emigration of workers from Bangladesh

23 A country has a tax system which places no tax on incomes b
incomes between $5000 and $10 000 and is progressive on inco

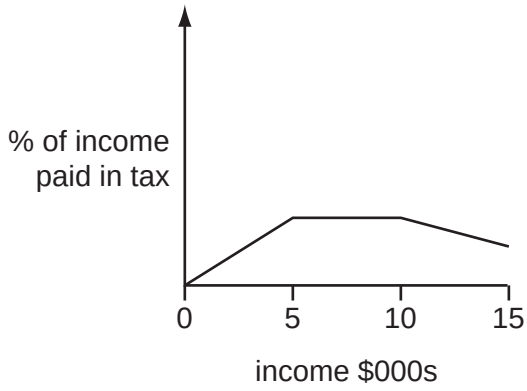
Which graph illustrates this tax system?

A

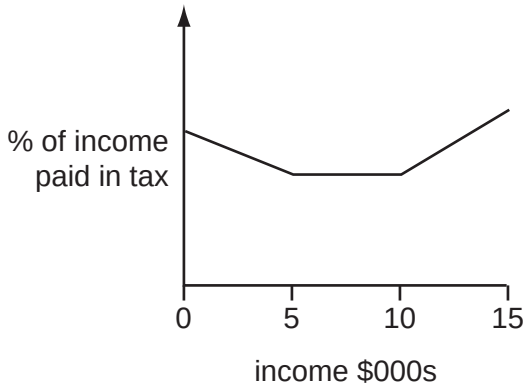




C



D



24 Between 2009 and 2010, an economy grew by 2.1 %.

What is **most** likely to have increased during this period?

A population

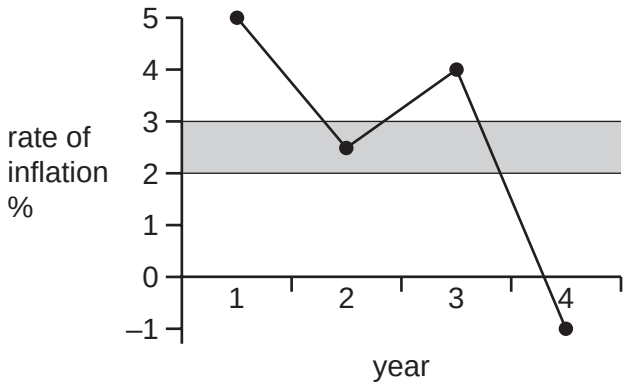
B production

C unemployment

D wages

25 A government has a target of keeping inflation between 2 % and 3

The diagram shows the rate of inflation over a four year period.



What can be deduced from the diagram?

A The government target was missed in two years.

B The price level fell in two years.

C The price level was at its highest in the first year.

D The real value of money fell in three years.

26 After more than 70 years of production, a German car manufacturer, Volkswagen, has decided to locate the production of its biggest selling car in developing countries, rather than Germany.

What is the main advantage of this policy?

A to access new management techniques

B to make use of better infrastructure

C to sell the car only to customers in developing countries

D to train and employ labour at a lower cost

27 What is usually a characteristic of a developed country?

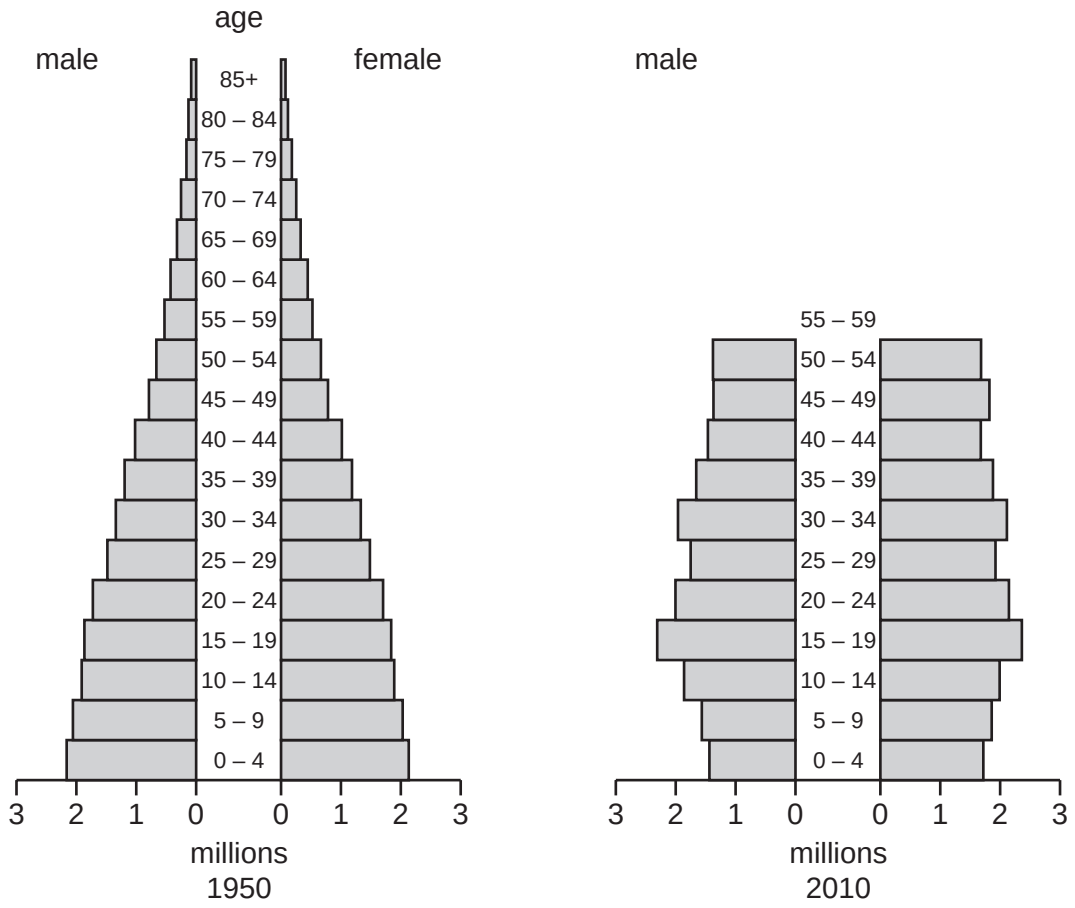
A a dependency on primary product exports

B high rates of economic growth

C low levels of productivity

D low rates of population growth

28 The charts show the population structure of a country in 1950 and



What **decreased** between 1950 and 2010?

A average age

B number of people below 15

C number of people over 60

D total population

29 What is an advantage to a country of free trade?

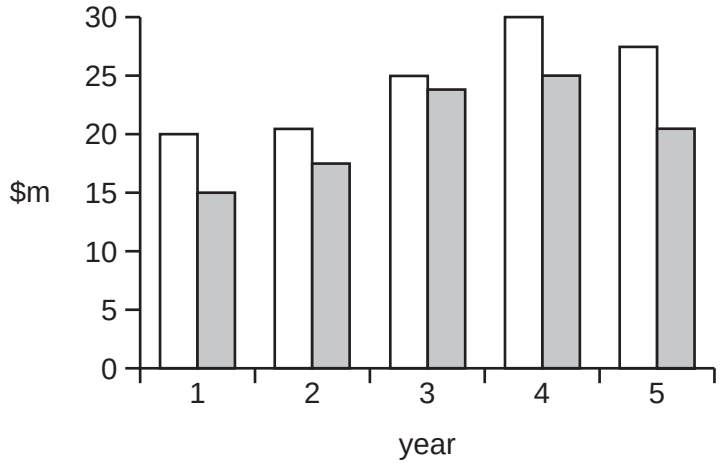
A greater international diversification of production

B greater range of domestically produced goods

C greater reliance on other countries

D greater specialisation in the use of resources

30 The diagram shows the value of exports and imports of goods of



Between which two years did the country have an increase in the value of imports and an improvement in its trade balance?

A 1 and 2 **B** 2 and 3 **C** 3 and 4 **D** 4 and 5

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