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)

* 1 9 6 1 5 7 0 9 1 6 *

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.

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1 Economics is primarily concerned with

A allocating scarce resources for unlimited wants.

B controlling unemployment and inflation.

C determining the level of government expenditure.

D studying how new wants and economic resources can be pro

2 Which statement about the factors of production is correct?

A Capital includes factories and machinery but not roads and ports.

B Enterprise is more often found in the public sector rather than the private sector.

C Labour is the factor that takes risks and can become unemployed.

D Land is the natural factor that can be improved by human action.

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 true of a mixed economy but is **not** true of a free market economy?

A There is a mixture of agricultural, manufacturing and service industries.

B There is a mixture of central authorities, firms and consumers.

C There is a mixture of external benefits and private costs.

D There is a mixture of large and small companies.

5 Journeys in city centres may be made by bus or by car.

What is an external cost of this?

A bus fares

B car fumes and noise

C licence fees for cars

D purchase of buses

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 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

8 What is an example of market failure?

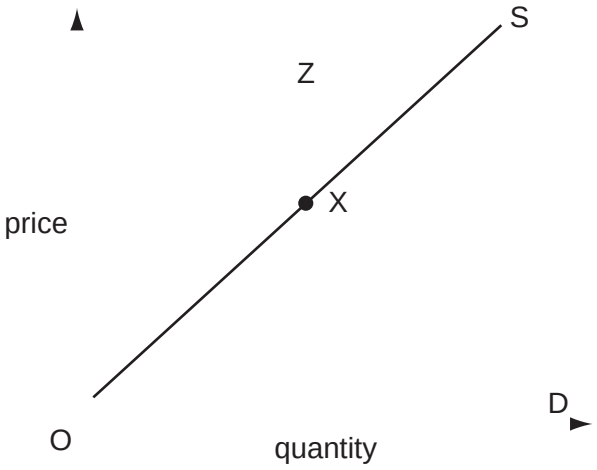
A a monopoly making abnormal profit

B prices charged to cover social cost

C the closure of small, independent shops in a rural area

D the inability of a car producer to achieve economies of scale

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 Cleaning the streets can be an unpleasant job and yet in many countries it is badly paid.

What is likely to be the reason for this?

A There is a high degree of trade union membership among these workers.

B There is a high supply of labour because the work is unskilled.

C There is a high demand for staff in busy urban areas.

D There is a long working year because there are few holidays.

11 What might be an advantage to a trade union when arguing for an increase in its members' pay?

A an increase in imports of a similar product

B the development of a new and profitable brand of the company's product

C the development of new machines requiring fewer workers

D the establishment of a local college providing training

12 In 2008–2009 the central bank of a developed country reduced i per year to stimulate the economy.

How would this policy have affected the amount saved and the co

	amount saved	cost of borrowing
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

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 When would a firm achieve maximum profits?

A when average revenue equals average cost

B when average revenue minus variable cost is greatest

C when fixed costs are equal to variable costs

D when total revenue minus total cost is greatest

17 Which of these statements made by an Economics student about different types of business organisation is true?

A Partnerships face problems in raising large sums of finance.

B Private companies cannot have limited liability.

C Public companies operate in the public sector of the economy.

D Public corporations operate in the private sector of the economy.

18 The table shows the total costs of a firm. It can sell the units for $4 each.

quantity produced and sold (units)	5	6	7	8
total cost $	17	18	21	23

How many units will the firm produce to maximise profits?

A 5 **B** 6 **C** 7 **D** 8

19 A monopoly takes over an industry from competitive firms.

What is **not** likely to be true about the monopoly compared with a competitive firm?

A A monopoly will earn a higher rate of profit.

B A monopoly will gain a greater share of the market.

C A monopoly will offer a wider choice to the consumer.

D A monopoly will operate on a larger scale of production.

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 Which combination of government policies would **most** likely domestic production in an economy?

A an increase in expenditure on infrastructure and an increase in income tax

B an increase in interest rates and an increase in quotas on imported goods

C an increase in subsidies to domestic industry and an increase in tariffs

D an increase in value added tax (goods and services tax) and an increase in education expenditure

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

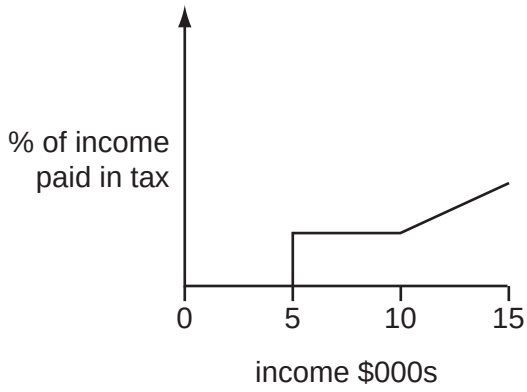
C invest in education and purchase new machines

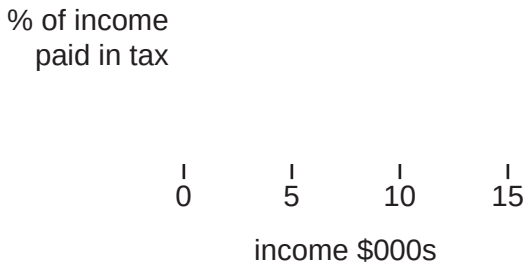
D substitute labour for machines and encourage emigration of workers from Bangladesh

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

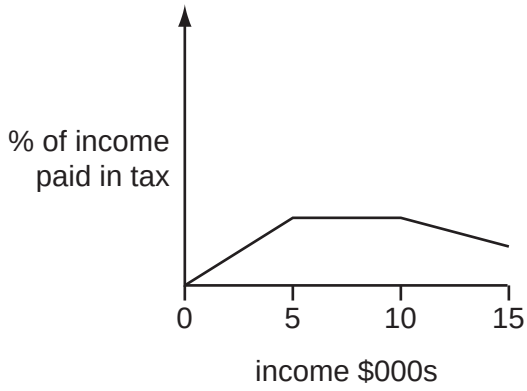
Which graph illustrates this tax system?

A

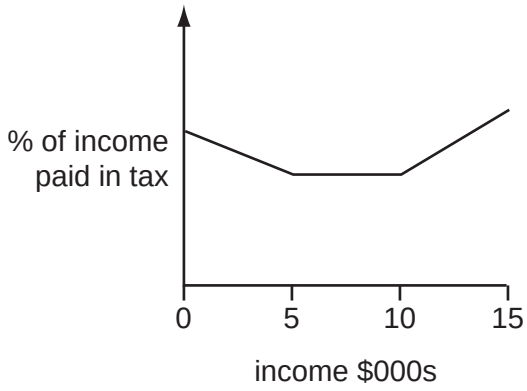




C



D

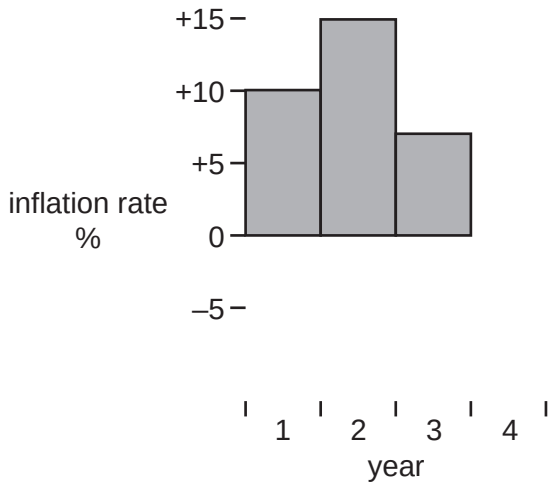


24 The inhabitants of an economy experience an increase in their cost of living, their living standards and their leisure time.

Which combination of events could explain these changes?

	price level	real GDP	average working week
A	decrease	decrease	increase
B	decrease	increase	decrease
C	increase	decrease	increase
D	increase	increase	decrease

25 The diagram shows a country's inflation rate in four successive ye



In which year was the country's general price level lowest and highest?

	lowest general price level year	highest general price level year
A	1	3
B	3	2
C	3	4
D	4	2

26 What level of unemployment and what distribution of income are often found in developing economies?

	level of unemployment	distribution of income
A	high	evenly distributed
B	high	unequal
C	low	evenly distributed
D	low	unequal

27 Why is the size of the average family higher in developing countries than in developed countries?

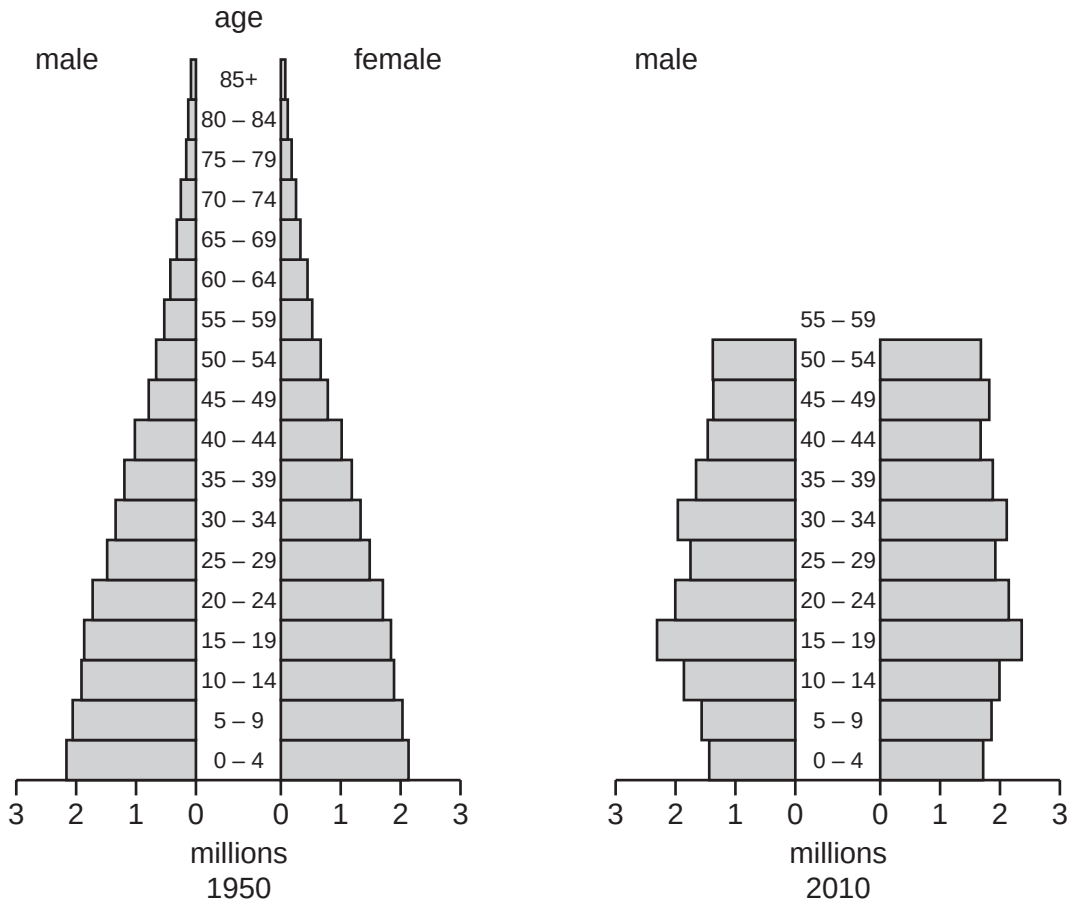
A In developing countries babies are more likely to survive at birth.

B In developing countries parents start families at a later age.

C In developing countries there is often a shortage of family planning advice.

D In developing countries the government provides a higher level of child support.

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 A government removed the quota on goods imported into the cou

What is the **most** likely result of this?

A a decrease in demand for domestic production

B a decrease in domestic unemployment

C a decrease in exports

D a decrease in the balance of trade deficit

30 The table shows the exchange rate of the pound (£) in US dollars ($) and the UK Balance of Payments on current account from 1998 to 2001.

year	number of US $ for each £	UK current account £m
1998	1.65	–4 814
1999	1.61	–19 729
2000	1.51	–19 208
2001	1.44	–20 453

Which of the following correctly describes these trends between 1998 and 2001?

	value of £ in terms of US $	current account
A	appreciating	improving
B	appreciating	worsening
C	depreciating	improving
D	depreciating	worsening

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