Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ECONOMICS **0455/13**

Paper 1 Multiple Choice **October/November 2014**

45 minutes

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

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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 **10** printed pages and **2** blank pages.

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1 Which resource is an example of capital used in the fishing industry?

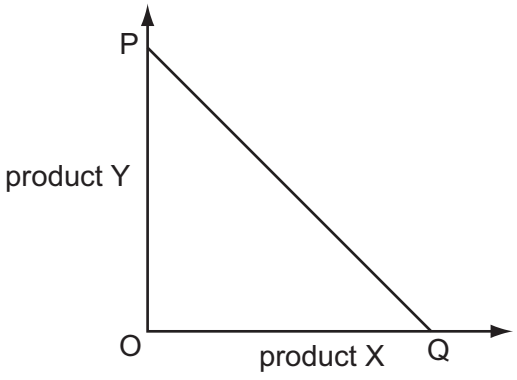
A a fishing boat

B fish

C owners of firms in the industry

D skilled workers in the industry

2 In the diagram, what does the production possibility line PQ illustrate?



A constant opportunity cost

B decreasing opportunity cost

C diseconomies of scale

D economies of scale

3 In recent years more golf courses, which use large quantities of water, have opened in China.

What may be the opportunity cost of this?

A cost of water

B loss of farmland

C sales of golf equipment

D wages of golf course staff

4 As the demand for new houses increases, the demand for plumbers and electricians also increases.

What does this statement illustrate?

A The demand for plumbers and electricians is complementary (joint) demand.

B The productivity of plumbers and electricians increases continually.

C There is no limit to the number of plumbers and electricians employed.

D The supply of plumbers and electricians is totally elastic.

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

A equilibrium prices

B income tax

C small firms

D the profit motive

6 A bridge is built over a river which enables journey times to be reduced.

The table shows costs and benefits from building the bridge.

	$000
private benefit	12
private cost	10
external benefit	8
external cost	5

Which calculation represents social benefit?

A $12 000 – $10 000 = $2000

B $8000 – $5000 = $3000

C $12 000 + $5000 = $17 000

D $8000 + $12 000 = $20 000

7 When personal computers (PCs) were first sold in the 1970s, prices were much higher than they are today.

What is the most likely explanation?

A Both quality and performance of PCs have improved.

B Demand has increased due to advertising.

C Improvements in technology have led to lower supply costs.

D Production requires more spending on research.

8 A group of workers in a firm joins a trade union.

What would the union be expected to do?

A arrange for labour-saving technology to be introduced

B discuss safety issues in the workplace with the employer

C ensure job security by promoting the firm's products through advertising

D negotiate new contracts with major buyers of the firm's products

9 In which occupations do wages tend to be lowest?

A in those where the work is dangerous

B in those where there is an excess supply of labour

C in those where workers are paid on a monthly basis

D in those where workers need long training

10 In 2008, economic conditions in the UK were uncertain and the rate of inflation increased. It was reported that consumers had increased their purchases of rare stamps which continued to rise in value.

What is **not** a reason for such purchases?

A to avoid risk

B to diversify their investments

C to overcome the effects of inflation

D to switch from spending to borrowing

11 The construction industry in Dubai relies on many migrant workers from India.

Which combination of changes in the economies of Dubai and India would be most likely to increase the wages of construction workers in Dubai?

	Dubai economy	Indian economy
A	decrease in economic activity	decrease in economic activity
B	decrease in economic activity	increase in economic activity
C	increase in economic activity	decrease in economic activity
D	increase in economic activity	increase in economic activity

12 What is correct for a private monopoly but is **not** correct for a firm in perfect competition?

A It aims to maximise its profits.

B It can make losses.

C It can restrict the level of competition.

D It is run by an entrepreneur.

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13 What must occur if a firm experiences economies of scale?

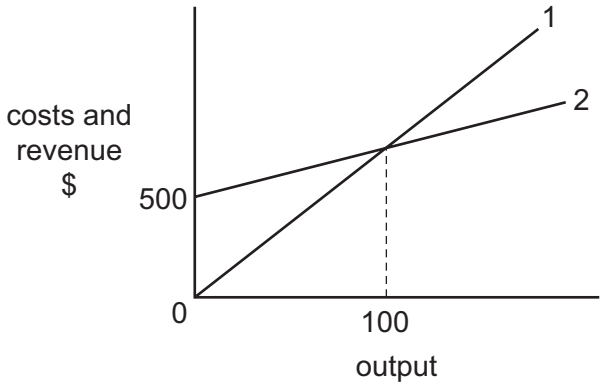
A average costs decrease

B profits decrease

C the number of workers increases

D total advertising costs decrease

14 The diagram shows the cost and revenue curves of a firm which starts to make a profit only after producing 100 units of output.



What are the correct labels for line 1 and line 2?

	line 1	line 2
A	average cost	average revenue
B	total cost	total revenue
C	total revenue	total cost
D	variable cost	price

15 The table shows output and total costs of production of a firm with three workers.

	output	total costs ($)
week 1	5	1500
week 2	6	1600
week 3	7	1700
week 4	8	1800

How did output per worker and average cost of the product change over the period?

	output per worker	average cost
A	decrease	no change
B	increase	decrease
C	increase	no change
D	no change	increase

16 A government policy results in an increase in government spending and a fall in the market price of a good.

What is the government policy?

A the application of an indirect tax to a luxury good

B the introduction of a subsidy to wheat farmers

C the privatisation of health services

D the setting of a minimum price for milk

17 What describes a regressive tax?

A It is paid by a higher proportion of high income earners.

B It is paid by a higher proportion of low income earners.

C It takes a higher proportion from high incomes.

D It takes a higher proportion from low incomes.

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18 In trying to achieve one of its aims a government may make it difficult to achieve another aim.

What is an example of this conflict?

A Achieving a more even distribution of income may prevent a rise in the average standard of living.

B Achieving an increase in economic growth may prevent full employment.

C Achieving full employment may prevent stable prices.

D Achieving steady prices may prevent a current account surplus on the balance of payments.

19 The table shows the tax paid at different levels of income.

income ($)	amount of tax ($)
6000	600
7000	700
8000	900
9000	1100

Which describes this tax?

A progressive at all levels of income

B proportional at all levels of income

C proportional at lower incomes, progressive at higher incomes

D proportional at lower incomes, regressive at higher incomes

20 Which combination of changes could cause a fall in the purchasing power of workers in a country?

	% change in wages rates	% change in the price level
A	–2	–4
B	0	–2
C	4	4
D	4	6

21 What will increase when there is a period of deflation during which the general price level continues to fall?

A confidence of investors

B consumer demand

C unemployment

D wage rates

22 The information below relates to selected countries in 2012.

	consumer prices (annual % change)	unemployment rate (%)
India	+10.0	9.8
Sweden	+1.4	8.8
Switzerland	–0.4	2.9
Venezuela	+22.8	7.4

What can be concluded from this information?

A Inflation is a possible cause of unemployment.

B Inflation is the only cause of unemployment.

C Low unemployment is linked to high inflation.

D There is a uniform link between the rate of inflation and unemployment.

23 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.

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24 As a country develops, what is most likely to happen?

A There will be an increase in productivity.

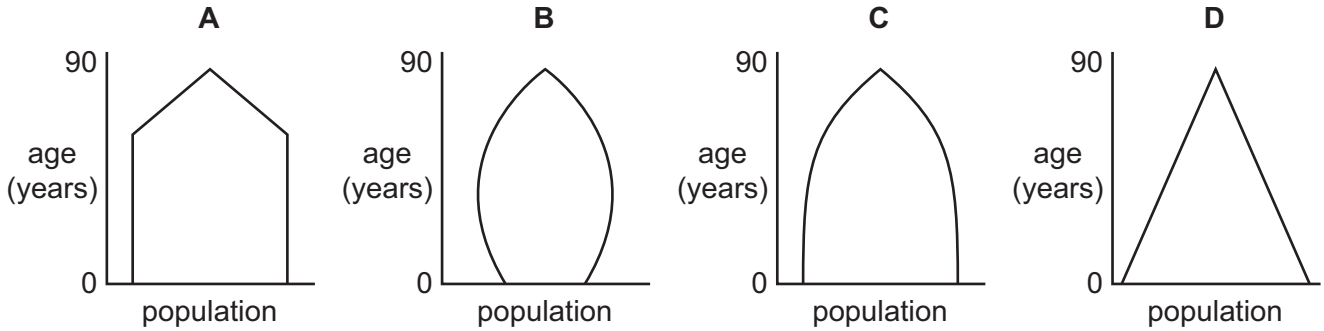
B There will be an increase in the birth rate.

C There will be an increase in the death rate.

D There will be reduced occupational mobility.

25 The diagrams show the approximate age distributions of four economies.

Which diagram resembles the age distribution of a developed economy?



26 As a country develops, its provision of medical care for babies and old people improves.

Why might this cause a problem in raising living standards?

A Gross Domestic Product will fall.

B The dependency ratio will become higher.

C The number of workers will fall.

D The size of families in the short run will be smaller.

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

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28 Which change would be most likely to cause an increase in the demand for the Turkish Lira?

A increased investments by Turkish firms in Italy

B increased profits sent to France by French companies in Turkey

C increased purchases of German chemicals by Turkish firms

D increased speculation that the value of the Turkish Lira will rise in the future

29 Which change will increase the quantity of a country's exports?

A Foreign governments raise tariff rates.

B The country's exchange rate depreciates.

C The level of world income falls.

D Transport costs become more expensive.

30 In September 2011 the Brazilian Government increased its tariff on imported Chinese cars.

Which change might have increased the number of cars Brazil imported from China in October 2011?

A a decrease in the quality of cars produced in Brazil

B a decrease in the sales tax on cars produced in Brazil

C an increase in the costs of producing cars in China

D an increase in the value of China's currency

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