**Cambridge International Examinations**
Cambridge International General Certificate of Secondary Education

**ECONOMICS** **0455/13**

Paper 1 Multiple Choice **October/November 2016**

**45 minutes**

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

* 8 2 4 3 6 6 2 9 8 1 *

**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.



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**1** What is **not** a factor of production?

**A** a $20 banknote

**B** an office

**C** a photocopier

**D** a secretary

**2** What could be the opportunity cost of a nuclear power station?

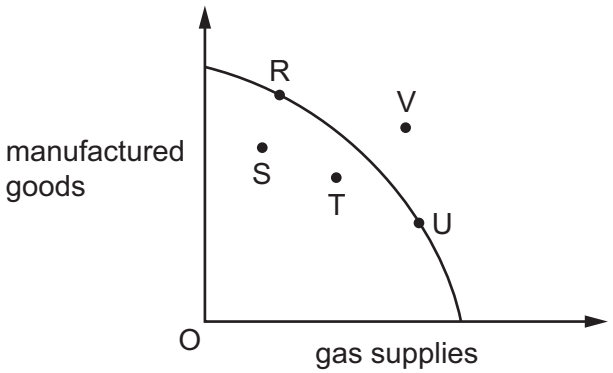
**A** the running costs of the power station

**B** a coal-fired power station

**C** the current value of the power station

**D** the cost of building the power station

**3** In 2014 private companies began to drill in areas of the country to exploit natural gas supplies that were known to exist.




How might this decision be represented on the diagram which shows a production possibility curve for the country?

**A** by a movement from R to S

**B** by a movement from R to V

**C** by a movement from S to T

**D** by a movement from U to V

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**4** The market for a good was in equilibrium. A change occurred which resulted in a new equilibrium with a higher price for the good and a lower quantity traded.

What change would have caused this?

**A** the demand curve moved to the left

**B** the demand curve moved to the right

**C** the supply curve moved to the left

**D** the supply curve moved to the right

**5** The demand for cocoa beans is price-inelastic.

What is most likely to decrease as a result of an increase in demand for cocoa beans?

**A** price of cocoa bean products

**B** production of cocoa beans

**C** profits of cocoa bean producers

**D** unemployment among cocoa bean farmers

**6** A government subsidises the production of pineapples.

This is likely to

**A** increase the price of pineapples.

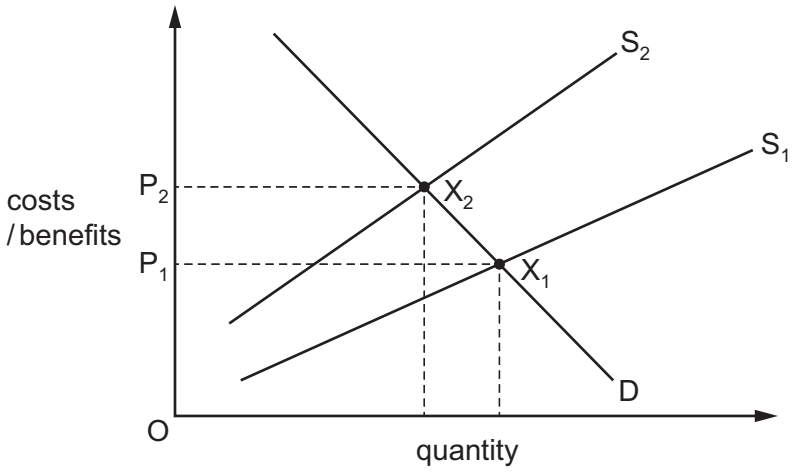
**B** raise the costs of supplying pineapples.

**C** raise revenue for the government.

**D** cause the supply of pineapples to increase at every price.

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**7** The use of cars in many cities creates negative externalities. The diagram shows the free market equilibrium $X_1$ and the socially efficient market equilibrium $X_2$.




Using the diagram, which statement is correct?

**A** Socially efficient supply is S and the market price P is too high.

**B** Socially efficient supply is S and the market price P is too low.

**C** Socially efficient supply is $S_1$ and the market price P is too high.

**D** Socially efficient supply is $S_1$ and the market price P is too low.

**8** What could increase the ability of a trade union to gain a pay rise for its members in a coat factory?

**A** a decrease in the demand for coats

**B** a decrease in the number of people willing to work in the coat industry

**C** a decrease in the productivity of workers making coats

**D** a decrease in the sale of coat exports

**9** What does net income mean?

**A** income after allowing for price changes

**B** income after paying regular household bills

**C** income less tax and government deductions

**D** income plus overtime payments

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**10** Nazmin Uddin works in a local office as a secretary three days a week. She lives with her parents in a small apartment.

Meer Ali owns a successful fitness centre that employs about twenty people. He owns a large house.

Which is most likely to be correct?

**A** Nazmin spends a smaller proportion of her income than Meer.

**B** Nazmin saves most of her income.

**C** Nazmin would find it easier than Meer to borrow money.

**D** Nazmin has a lower disposable income than Meer.

**11** The table shows how household spending changes with income.

| income ($ per month) | spending ($ per month) |
|---|---|
| 2600 | 2625 |
| 2900 | 2925 |
| 3200 | 3190 |
| 3500 | 3275 |
| 3800 | 3500 |
| 4100 | 3725 |

What is the **first** level of income shown at which savings are positive?

**A** $2600 **B** $2900 **C** $3200 **D** $3500

**12** A survey of managers in the USA revealed that most businessmen feel that a company's responsibility is 'to serve the interests of owners, employees, customers and the public'.

The idea of profit maximisation, in contrast, implies that a company's main responsibility should be to the

**A** customers.

**B** employees.

**C** owners.

**D** public.

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**13** Why is a firm in perfect competition a price taker?

**A** It has no information about market price.

**B** Its output is too small to have any effect on market equilibrium.

**C** There are few barriers to entry.

**D** There are only a few firms in the industry.

**14** A firm produced 200 cars a week and employed 50 workers. A fall in demand caused the firm to reduce its output to 160 cars a week and its labour force to 32.

What was the percentage change in the firm's productivity?

**A** It fell by 20%.

**B** It fell by 25%.

**C** It increased by 20%.

**D** It increased by 25%.

**15** A firm has fixed costs of $100 for its daily output. The table shows its daily total variable costs.

| output (units) | 1 | 2 | 3 | 4 |
|---|---|---|---|---|
| total variable costs ($) | 200 | 360 | 500 | 720 |

What can be concluded about the firm's average total cost?

**A** It falls continuously.

**B** It is highest at output 4 units.

**C** It is lowest at output 3 units.

**D** It rises continuously.

**16** A government decides to sell the monopoly supply of gas to households to a private firm.

How could the government protect the interests of households after selling a large company to the private sector?

**A** by excluding all competition from foreign companies

**B** by imposing a tax on excess profits

**C** by introducing a quota system for imports of gas

**D** by removing price controls on gas

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**17** A government decides to increase the rate of income tax and spend the extra revenue on providing training colleges.

How might this be described?

**A** as fiscal and monetary policy

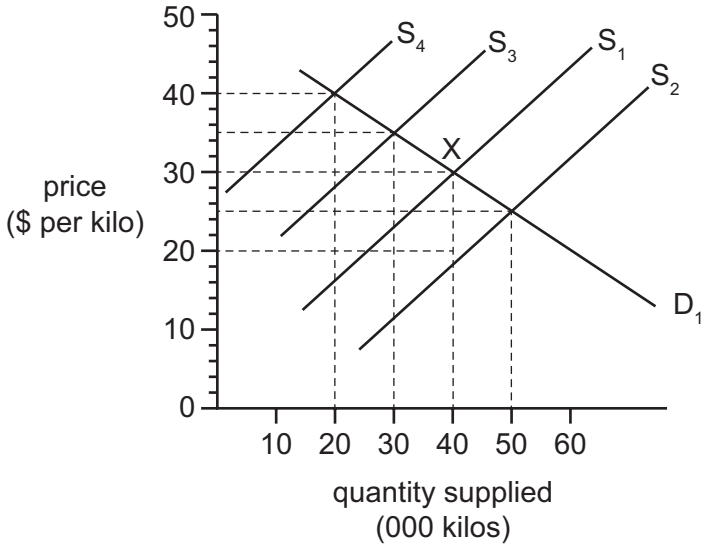
**B** as fiscal and supply-side policy

**C** as fiscal, monetary and supply-side policy

**D** as monetary and supply-side policy

**18** A government taxes farmers $12 per kilo when they supply food on the open market where X is the original equilibrium position.

The effect is illustrated in the diagram below.




What will be the new equilibrium price and quantity supplied as a result of the tax?

| | equilibrium price ($ per kilo) | quantity supplied (000 kilos) |
|---|---|---|
| **A** | 20 | 40 |
| **B** | 25 | 50 |
| **C** | 35 | 30 |
| **D** | 40 | 20 |

**19** The table shows taxes as percentages of Gross Domestic Product (GDP) for four countries.

From this information, which country had the lowest percentage of direct taxation as a percentage of GDP?

| | income tax % | tax on business profits % | tax on dividends % | tax on goods and services % |
|---|---|---|---|---|
| **A** | 12 | 14 | 2 | 4 |
| **B** | 14 | 15 | 2 | 13 |
| **C** | 17 | 8 | 5 | 9 |
| **D** | 17 | 13 | 5 | 9 |

**20** A newspaper reports that there has been an economic slump in an economy.

What would an economist expect the immediate effect to be?

**A** Production will decrease.

**B** Saving will decrease.

**C** Taxation will decrease.

**D** The population will decrease.

**21** How is the pattern of employment likely to change when a country becomes more developed?

**A** from regular employment to seasonal employment

**B** from rural employment to urban employment

**C** from skilled employment to manual employment

**D** from tertiary employment to primary employment

**22** In 2010 there was an increase in net emigration from Ireland.

What is most likely to have caused this increase?

**A** a decrease in job security abroad

**B** a decrease in wage rates abroad

**C** an increase in Ireland's real GDP

**D** an increase in unemployment in Ireland

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**23** The table shows some economic indicators.

Which increase in the first indicator is most likely to lead to an increase in the second indicator?

| | first indicator | second indicator |
|---|---|---|
| **A** | budget surplus | consumer saving |
| **B** | consumer spending | unemployment |
| **C** | inflation | trade surplus |
| **D** | productivity | living standards |

**24** What would be most likely to cause the population to decrease if other things remain constant?

**A** a decrease in the birth rate

**B** a decrease in the death rate

**C** an increase in net immigration

**D** an increase in the fertility rate

**25** Developed countries have a high and increasing proportion of their population over the age of 65.

Which economic consequence will be most likely to result from this kind of population change?

**A** Government transfer payments will increase.

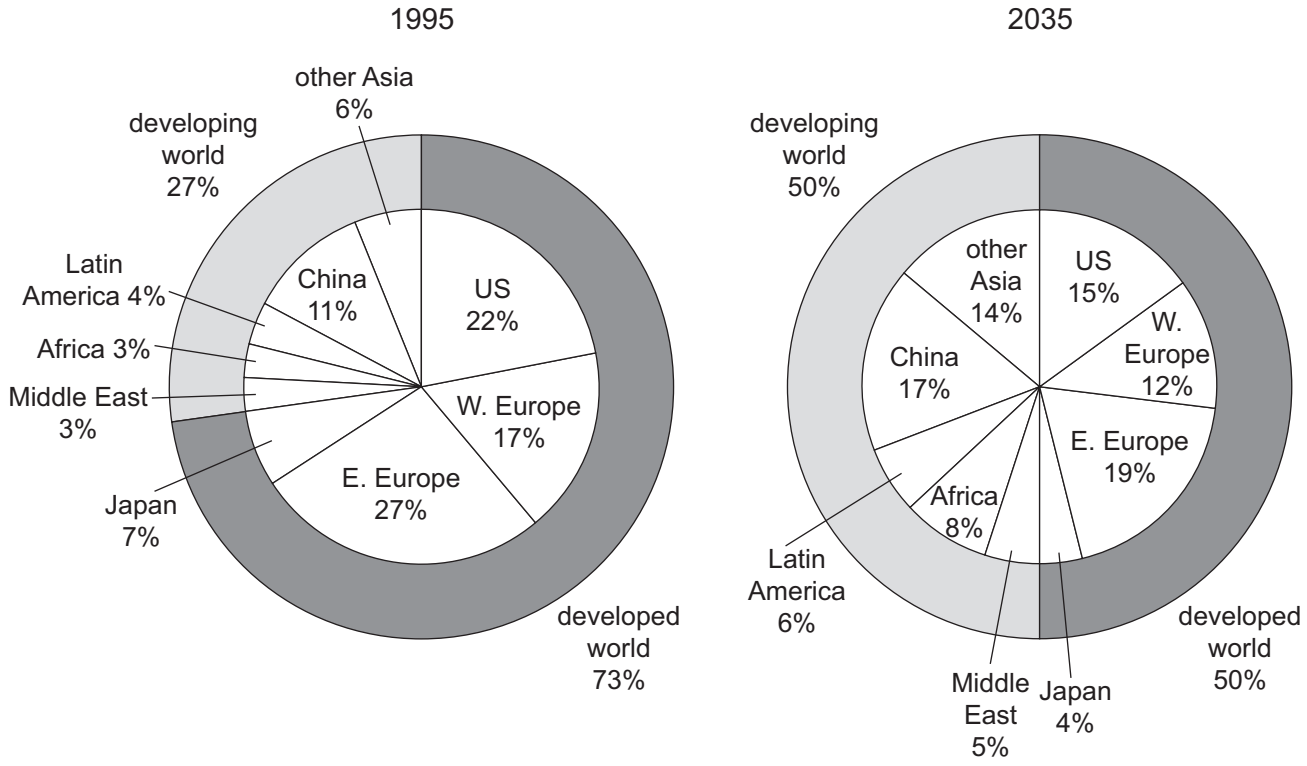
**B** More facilities will be needed to retrain workers.

**C** There will be a rise in the economic growth rate.

**D** The total savings in the economy will increase.

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**26** The chart shows total world carbon emissions in 1995 and predicted emissions by 2035.




If the chart proves to be correct, what would have happened by 2035?

**A** Africa will emit the least carbon.

**B** China will cause about a third of the emissions of all developing areas shown.

**C** Developed areas will have reduced their absolute amount of carbon emissions.

**D** The US will have decreased its carbon emissions by a smaller percentage than Western Europe.

**27** What encourages international specialisation?

**A** a foreign exchange shortage

**B** diseconomies of scale

**C** free trade

**D** quotas

**28** A Japanese car manufacturer decided to produce its cars in a factory in Europe.

What would **not** be a reason why they might have chosen to do this?

**A** cheaper wage costs in Europe

**B** the availability of raw materials

**C** to gain external economies from skilled labour in Europe

**D** to increase Japanese self-sufficiency

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**29** A government removed the quota on goods imported into the country.

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** In 2009 the exchange rate of the Singapore dollar changed from 1.49 = 1 US dollar to 1.43 Singapore dollars = 1 US dollar.

How would this affect the import prices and export prices for Singapore?

| | prices paid by Singapore for imports | prices paid to Singapore for exports |
|---|---|---|
| **A** | decrease | decrease |
| **B** | decrease | increase |
| **C** | increase | decrease |
| **D** | increase | increase |

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