Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ECONOMICS **0455/12**

Paper 1 Multiple Choice **October/November 2015**

45 minutes

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

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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International Examinations

1 In a rural community of Southern Africa, women were responsible for planting and weeding crops by hand, while men used to control production and receive profits.

View solution

Which combination of factors of production was in operation?

	men	women
A	capital	land
B	enterprise	labour
C	labour	capital
D	land	enterprise

2 The government of a prosperous country announced that it would offer free food to its citizens for a year.

View solution

What would be the effect of this measure?

A Agricultural resources would become unlimited.

B Human wants would become finite.

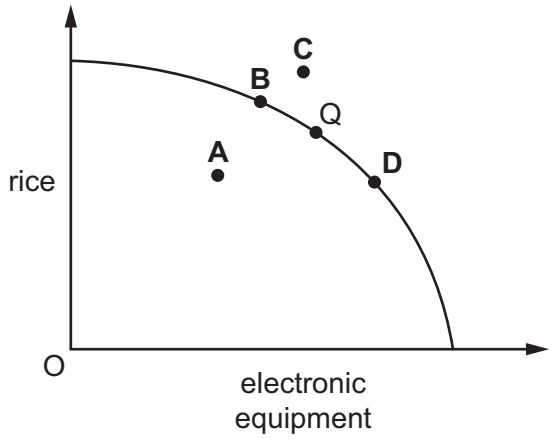
C More resources would be devoted to food production.

D The basic economic problem would be solved.

3 The diagram shows a production possibility curve for an economy that can produce rice or electronic equipment. The economy is at point Q. A recession causes unemployment in the electronics industries.

View solution

At which point will the economy be in the diagram?



4 A person works at home making table cloths. He works for 6 hours each day and makes 15 table cloths an hour. He sells them for $10 each.

View solution

He then decides to work for only 4 hours each day.

What can be concluded from the above information?

A The lost profit would be $300.

B The lost revenue would be $60.

C The daily opportunity cost would be 30 table cloths.

D The daily opportunity cost would be $50.

View solution

5 What is meant by an equilibrium price?

A a government price that ensures fairness for all

B a price that has no pressure to rise or fall

C a price that maximises the profits of the producers

D a price that maximises the satisfaction of the consumers

6 In August 2013, a lengthy strike in north-east India, where the finest and most expensive Darjeeling tea is grown, shut down the tea industry at harvest time.

What is the likely outcome of such a situation on a demand and supply diagram for Darjeeling tea?

View solution

A The price will rise because demand will switch to other teas.

B The price will rise because the strike will cause a movement down the supply curve.

C The price will rise because the supply curve will move to the left.

D The price will rise because there will be a fall in demand for the remaining Darjeeling tea.

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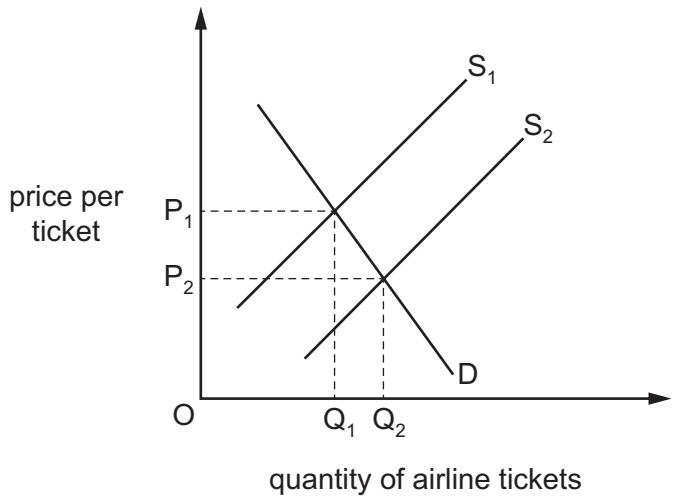
7 Air travel and rail travel are substitute forms of transport. The diagram shows the effect of new technology on the market for air travel.

View solution



What would be the most likely effect on the market for rail transport?

A a decrease in demand for rail transport

B an increase in the price of rail tickets

C an increase in supply of rail transport

D an increase in the total income of rail companies

8 A developer built some large houses in a rural area which poorer people could not afford. The houses destroyed an area of natural beauty.

View solution

What type of market failure resulted from the development?

A ignoring external cost

B inequality of income

C lack of information

D price discrimination

9 How do high direct taxes affect spending and how do high interest rates affect saving by wage-earners?

View solution

	spending	saving
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

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10 A national trade union wishes to increase the wages of its members without reducing the numbers employed.

View solution

Which factor would help the union to do this?

A The demand for the industry's product is high.

B The industry consists of a small number of well-organised employers.

C The union workers have low-level skills.

D The workers' wages are the largest cost of the industry.

11 The wage rate of a worker is reduced.

View solution

Which combination of characteristics of the job is most likely to cause the worker to stay in the job?

	additional bonuses	job security	unsocial hours
A	high	high	many
B	high	high	none
C	low	low	many
D	low	low	none

12 What characteristics are found in a monopoly?

View solution

A freedom of entry to the market and a single seller

B freedom of entry to the market and many sellers

C many buyers and a single seller

D many buyers and many sellers

13 What must be falling if a firm is experiencing economies of scale?

View solution

A average costs

B external costs

C fixed costs

D total costs

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14 A company supplying water spent $470 million creating a network of pipes to distribute water more efficiently. It employed local workers and boosted the local economy. It also provided better facilities for the tourist industry.

View solution

What **cannot** be concluded from the above?

A The company increased its profits.

B There was a decrease in regional unemployment.

C There were fixed costs of $470 million.

D There were positive externalities.

15 The table shows the information that managers of a company have from a week of business activity.

View solution

number of employees	100
average wage	$900
value of output	$100 000
rent	$10 000
raw materials	$20 000

Assuming there are no other costs, what is the value of the fixed costs?

A $300 **B** $10 000 **C** $20 000 **D** $30 000

16 What is most likely to be the responsibility of a government?

View solution

A the building of a food processing plant

B the building of a housing estate

C the building of a large shopping centre

D the building of a major rail link

17 Which statement about the meaning of government economic aims is correct?

View solution

A Economic growth means that a country's real output must rise over time.

B Full employment means that no one must be unemployed.

C Price stability means that the price of all goods and services must remain unchanged.

D Redistribution of income means that everyone must have equal incomes.

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18 A government wishes to close the gap between the earnings of the rich and the poor.

View solution

What should it do to achieve this aim?

A increase progressive taxation

B increase the rate of interest

C increase the rate of sales tax

D increase the supply of money

19 A government decided to increase its spending on building schools and hospitals.

View solution

Which aim of government policy is most likely to be achieved by this increase?

A a balance of payments surplus

B a stronger exchange rate

C economic growth

D price stability

20 The forecast for Germany's GDP growth in 2013 was 1.5%.

View solution

What might cause economic growth?

A an increase in imports

B an increase in interest rates

C an increase in productivity

D an increase in unemployment

21 The proportion of workers employed varies between different industries and between developing and developed economies.

View solution

Which combination in the table is likely to have the highest percentage of workers employed?

	developing	developed
A	agriculture	manufacturing
B	agriculture	services
C	construction	manufacturing
D	construction	services

22 In 2009, a country had an inflation rate of 2%. The table shows the inflation rate in the following years.

View solution

year	inflation rate (%)
2010	2
2011	1
2012	0
2013	–1

In which year did deflation start?

A 2010 **B** 2011 **C** 2012 **D** 2013

23 Which item does the Human Development Index (HDI) of a country include, in addition to real GDP per head and life expectancy at birth?

View solution

A expenditure on law and order

B literacy rate among adults

C number of doctors

D retirement age

24 Why might real GDP per head **not** be a good indicator of the standard of living in developing countries?

View solution

A It does not account for inflation.

B It does not account for population changes.

C It does not include primary production.

D It does not include unpaid work on farms.

25 The richest 60% of the population in a developed economy received an increase in income.

View solution

Which row is correct as a result of this increase?

	absolute poverty	relative poverty
A	increased	increased
B	increased	remained constant
C	remained constant	increased
D	remained constant	remained constant

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26 According to the United Nations, the share of world population living in developing countries will increase from 83% in 2003 to 88% in 2050.

View solution

What is likely to be the major cause of this predicted change?

A Climate change will lead to lower food output and starvation.

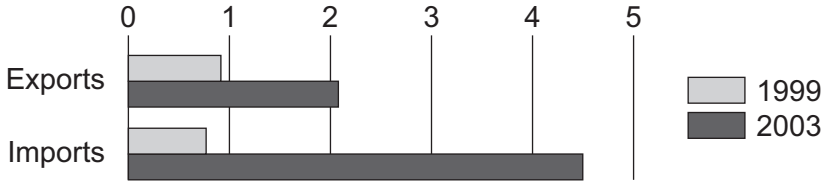
B Improved education for girls will lead to a small decline in birth rates.

C Increasing numbers of people will migrate to developed countries.

D Modern medicine and sanitation will lead to a rapid decline in death rates.

View solution

27 The diagram shows China's trade with Brazil for 1999 and 2003 in billions of dollars.



With reference to the diagram, what happened to China's trade balance with Brazil between 1999 and 2003?

A It experienced a falling surplus.

B It experienced a rising deficit.

C It moved from deficit to surplus.

D It moved from surplus to deficit.

View solution

28 A country imposes tariffs and quotas on imported goods.

What will citizens of that country experience?

A higher prices

B higher welfare

C higher unemployment

D wider consumer choice

View solution

29 What is most likely to encourage international specialisation?

A similarities in climate in different countries

B the ability to produce products more cheaply than other countries

C the discovery of oil in a country that had no oil before

D very high international transport costs

30 Turkey's agricultural sector employs 48% of the country's workforce, compared with 17% in the United States (US) and 3.9% in France.

View solution

What could be concluded from this?

A France is likely to import more agricultural produce than the US.

B The workers in France are not as productive as those in Turkey.

C Total agricultural production is likely to be higher in Turkey than in the US.

D Turkey is likely to be less developed than France.

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