



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

ECONOMICS

Paper 1 Multiple Choice

0455/11

May/June 2013

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, 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.

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.

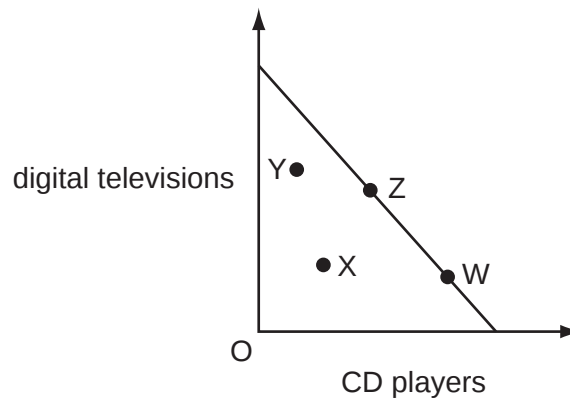
This document consists of **9** printed pages and **3** blank pages.



- 1 A tractor factory runs out of important components and has to stop production.

How does this illustrate the economic problem?

- A The factory lacks a competitive advantage.
 - B The factory lacks economies of scale.
 - C There are limited wants.
 - D There is evidence of scarce resources.
- 2 The diagram shows a production possibility curve for digital televisions and CD players.

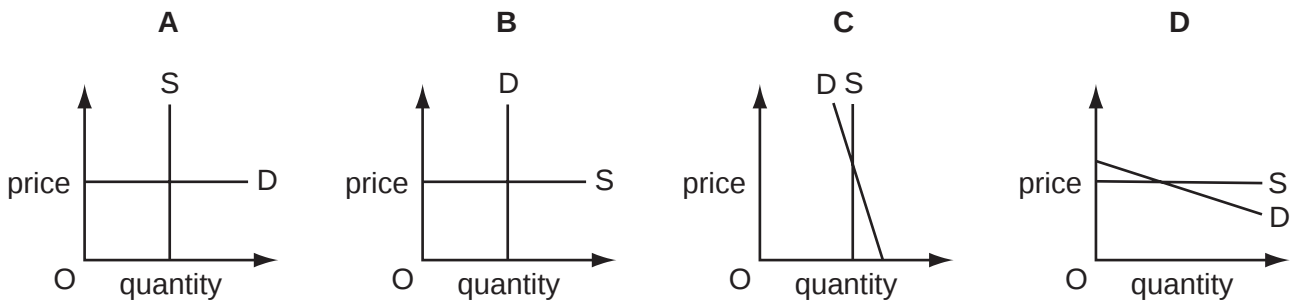


Which movement shows an increase in the use of existing resources to increase production for both digital televisions and CD players?

- A X to W B X to Z C Z to W D Z to Y
- 3 Which group linked to a firm always bears the risk of the decision to produce?
- A creditors
 - B managers
 - C owners
 - D workers
- 4 In a pure market economy, which secondary factor determines the distribution of goods and services?
- A fairness to the consumer
 - B needs of the consumer
 - C price of the product
 - D quality of the product

- 5 There are a fixed number of seats at a concert. Most of the audience would continue to attend even if the seat prices were increased.

Which demand and supply diagram represents this situation?



- 6 Maize and fuel are used in the production of Mexican tortillas. In 2010 Mexico produced a record maize crop but in 2011 rises in the price of fuel increased costs for tortilla makers.

What is likely to have happened to the price of tortillas in 2010 and 2011?

	price in 2010	price in 2011
A	decreased	decreased
B	decreased	increased
C	increased	decreased
D	increased	increased

- 7 When the price of shirts rises from \$8 to \$10, the demand for shirts falls from 1000 to 500.

What is the price elasticity of demand for shirts?

- A** greater than 1
- B** unitary
- C** less than 1
- D** zero
- 8 What is a likely reason why many countries' governments subsidise scientific research?
- A** Private sector firms may overestimate the external benefits and ignore the private benefits of scientific research.
- B** Private sector firms may overestimate the external costs and ignore the private costs of scientific research.
- C** Private sector firms may underestimate the private benefits and ignore the external benefits of scientific research.
- D** Private sector firms may underestimate the private costs and ignore the external costs of scientific research.

- 9 When the price of a good doubles the demand falls by less than half, and the revenue received by the seller increases.

What does this suggest about the good?

- A it has substitutes
 - B it is a necessity
 - C it is in fixed supply
 - D it is perfectly elastic in demand
- 10 The use of a mobile (cell) phone to make payments is an example of which function of money?
- A a medium of exchange
 - B a standard of deferred payment
 - C a store of wealth
 - D a unit of account
- 11 What is most likely to cause a person to save a larger proportion of their weekly income rather than spend a larger proportion of their weekly income?
- A a decrease in the tax on goods and services
 - B a decrease in weekly income
 - C an increase in interest rates
 - D an increase in the range of products available
- 12 Which of the following is most likely to limit wage increases in an industry?
- A an increased demand for the industry's product
 - B a rise in the industry's profits
 - C a rise in wages for workers in similar jobs
 - D the replacement of workers with robots
- 13 What is a function of a trade union?
- A to negotiate workers' contracts
 - B to promote workers to more responsible jobs
 - C to recruit workers for the firm
 - D to supervise the workers in the firm

- 14** Differences in earnings between higher paid and lower paid jobs have widened in developed countries.

What is the most likely reason for this?

- A** Immigration of unskilled workers has reduced.
- B** The demand for highly skilled workers has increased.
- C** Unemployment rates have remained low.
- D** Women are paid the same rates as men.

- 15** Which characteristic relates to perfect competition and which to monopoly?

	perfect competition	monopoly
A	abnormal profit	normal profit
B	barriers to entry	freedom of entry
C	few firms	many firms
D	price taker	price maker

- 16** Cocoa and sugar are used in a factory to produce chocolate.

What is a fixed cost in the production of chocolate?

- A** cocoa
- B** electricity
- C** rent
- D** sugar

- 17** In August 2008, Infosys, an Indian information technology company, bought Axon, a UK information technology company.

Which type of integration is this?

- A** conglomerate
- B** horizontal
- C** vertical backwards
- D** vertical forwards

- 18** The multinational Indian Tata Group, which has companies in chemicals, consumer goods, engineering and communications, has been buying foreign companies.

What does this action most likely suggest about the company?

- A** It intends to achieve a domestic monopoly position.
- B** It intends to increase its level of specialisation.
- C** It intends to reduce fixed costs.
- D** It intends to spread risks by diversification.

- 19** The table shows the costs of a firm.

units of output	variable costs (\$)	total costs (\$)
10	20	80
20	50	110
30	80	140
40	110	170

What is the value of the firm's fixed costs?

- A** \$20
- B** \$30
- C** \$60
- D** \$80

- 20** What is the most likely result of an increase in interest rates?

- A** a rise in investment
- B** a rise in borrowing
- C** a fall in consumer spending
- D** a fall in productivity

- 21** What is most likely to be the responsibility of a central government?

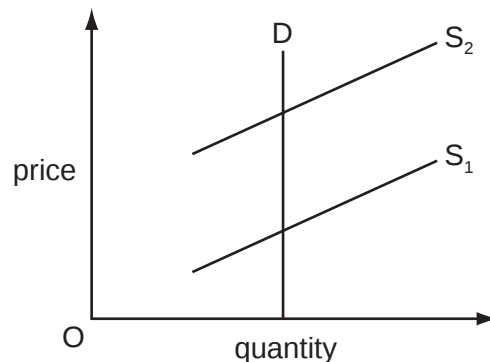
- A** the provision of immigration officials at an airport
- B** the provision of security cameras in a shopping centre
- C** the provision of security staff at a bank
- D** the provision of ticket inspectors on a train

- 22** In the first six months of 2011 a construction company, Morgan Sindall, saw its profits fall. Part of the reason was the increased competition from foreign competitors.

Which government policy is most likely to help such a company?

- A** increasing benefits to the unemployed
- B** increasing tax-free allowances on new building projects
- C** putting a quota on imported raw materials used by the company
- D** raising interest rates

- 23** The graph shows the impact of a tax on the supply of petrol (gas).



What can be concluded from this graph?

- A** the government will receive no tax revenue
 - B** the impact of the tax will be shared between the consumer and the producer
 - C** the impact of the tax will fall entirely upon the consumer
 - D** the impact of the tax will fall entirely on the producer
- 24** In developed economies there are changing patterns of employment.

What explains why fewer work in agriculture but food production has increased?

- A** increased incomes and more leisure
- B** mechanisation and the use of scientific methods
- C** movement to factory jobs in manufacturing
- D** shift to office work using computers

- 25** The table gives information about some economic indicators in a number of countries.

	inflation %	interest rates %	unemployment %
country W	1.4	3.4	10.2
country X	3.7	8.7	12.3
country Y	3.6	7.3	14.2
country Z	2.1	6.0	7.7

What may be concluded from this information?

- A** Countries with higher inflation have higher interest rates.
 - B** Countries with higher interest rates have lower inflation.
 - C** The country with the lowest inflation had the highest unemployment.
 - D** The country with the lowest unemployment had the highest inflation.
- 26** The table shows the percentage share of GDP held by the richest 20% and poorest 20% of the population in each country.

Which country had the greatest extremes of income and poverty?

	country	richest 20%	poorest 20%
A	Ghana	41.7%	8.4%
B	Nigeria	55.7%	4.4%
C	Senegal	48.2%	6.4%
D	South Africa	64.8%	2.9%

- 27** On 17 October 2006, the US population reached 300 million and was predicted to increase to 400 million by 2043.

Which change would mean that the US population moves in the opposite direction to that predicted?

- A** a change from net immigration to net emigration
- B** the birth rate falling more slowly than the death rate
- C** the death rate falling below the net immigration rate
- D** the infant mortality rate decreasing more rapidly than the increase in life expectancy

- 28 What is most likely to be an indicator that a country is a developed economy rather than a developing economy?
- A a dominant service sector
 - B a high birth rate
 - C a lack of capital-intensive production
 - D a low level of adult literacy
- 29 What is thought to be a benefit of global free trade?
- A It increases the opportunity for domestic producers to specialise.
 - B It increases the protection for domestic producers.
 - C It reduces a country's reliance on other countries.
 - D It reduces the transport costs involved in trading.
- 30 The table gives the retail price of a paperback book as printed on its back cover.

United Kingdom	£6.99	
Canada	\$11.99	(Canadian dollars)
Australia	\$14.99	(Australian dollars)
New Zealand	\$20.95	(New Zealand dollars)

What is needed to make a clear comparison of the price in the four countries?

- A direct tax rates
- B exchange rates
- C inflation rates
- D level of import tariffs

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