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Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ECONOMICS **0455/12**

Paper 1 Multiple Choice **February/March 2016**

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 An economy with few resources is encouraged to improve the quality of its human resources.

Which policy will lead to such an improvement?

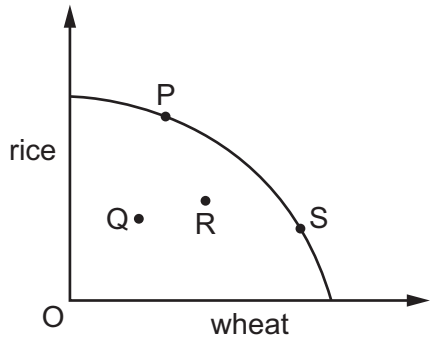
A conserving and protecting more of its natural resources

B limiting the immigration of skilled labour

C providing more opportunities for education and training

D reducing the use of machines in production

2 The diagram shows a country's production possibility curve for rice and wheat.



A major flood destroys a large area of agricultural land.

Which movement could represent the resulting change in output?

A P to Q **B** Q to R **C** R to S **D** S to P

3 A country raises the school leaving age from 15 to 17 years.

What is the opportunity cost of this increased period of school education to the young people affected?

A costs of training and employing more teachers

B financial help necessary for school leavers who go to university

C government expenditure on building extra classrooms

D lost income from paid employment because of school attendance

4 In a market there is a shortage of a good.

What change would cause the market to come to an equilibrium?

A a decrease in supply

B a fall in price

C an increase in demand

D a rise in price

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5 A product has a totally inelastic price elasticity of demand.

What will happen to total revenue if the price of the product falls by 25%?

A It will fall by 25%.

B It will fall to zero.

C It will remain unchanged.

D It will rise by 25%.

6 In 2014, a plan for a major new rail link funded by central and regional government was announced. It would involve the redevelopment of a city area, generate 14 000 jobs and allow the development of 2000 homes and offices for private businesses.

What economic concepts are indicated directly in the above statement?

A budget surplus and inflation

B factors of production and multinational companies

C fiscal policy and mixed economy

D regional unemployment and average wage rates

7 How are social costs calculated?

A fixed costs plus variable costs

B private benefits less private costs

C private costs plus external costs

D social benefits less external costs

8 What is a disadvantage for a trade union representing workers in a company that has increased specialisation?

A Capital equipment can be substituted for labour.

B Different abilities can be used fully.

C Production levels are decreased.

D Workers are able to gain a higher level of skill.

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9 A government finance minister said that the purchasing power of most people's incomes had risen in the last year.

What must have increased for the purchasing power to rise?

A money wages

B net income after tax

C real wages

D wage rates

10 The table shows the change in incomes for a number of occupations between 2003 and 2013.

occupation	change in income %
builders	80
plumbers	60
electricians	50
police officers	12
teachers	10
nurses	–5

What can be concluded from the table?

A All occupations were better off in 2013 than in 2003.

B Builders earned the highest income in 2013.

C Electricians earned 40% more than teachers in 2013.

D Non-manual workers had lower percentage increases in income than manual workers.

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11 The table shows information for two workers.

	doctor	window cleaner
annual income ($)	60 000	24 000
total deductions ($)	10 000	8 000

Both workers save 10% of their disposable income.

How much is this in each case?

	doctor	window cleaner
A	$1 000	$800
B	$5 000	$1 600
C	$6 000	$2 400
D	$50 000	$16 000

12 What is most likely to increase a firm's profits?

A government controls on its prices

B grants for the purchase of new machines

C an increase in the wages paid to its workers

D rising costs of its raw materials

13 Sohrab bought shares in a French telecommunications company operating in many countries.

Joel owns and runs a mobile telephone accessories and repair shop.

What is **not** identified above?

A multinational company

B partnership

C public company

D sole proprietor

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14 A firm's average revenue is $20. It sells 1000 units.

What is the firm's total revenue and the price of the product?

	total revenue ($)	price ($)
A	20	20
B	1 000	500
C	20 000	20
D	20 000	500

15 The table shows the daily output and costs of four firms making chairs.

Which firm has the highest average cost of production?

	output (units)	fixed costs ($)	variable costs ($)
A	6	100	140
B	9	30	150
C	12	200	160
D	15	120	330

16 Other things being equal, what is likely to decrease public spending?

A an increase in the age of retirement

B an increase in the birth rate

C an increase in the school-leaving age

D an increase in unemployment

17 When is a tax regressive?

A when some goods have a lower tax than others

B when the tax as a proportion of income decreases as income increases

C when the tax is linked to the rate of inflation

D when the tax is on incomes rather than on goods or services

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18 The Government of India wishes to help the very poorest people.

Which policy would be most likely to achieve this?

A lowering capital gains tax

B lowering housing subsidies

C lowering indirect taxation

D lowering inheritance tax

19 Suppose the Indian Government raises the rate of interest.

What is likely to be the direct effect on the economy?

A It will raise any deficit on the current account.

B It will raise the economic growth rate.

C It will raise the foreign exchange rate.

D It will raise the inflation rate.

20 What is involved in the construction of a retail price index?

A a basket of goods

B average incomes

C economic growth rate

D income tax rate

21 What identifies a recession?

A a fall in the general price level

B a fall in the level of national output

C a fall in the real value of money

D a fall in the stock market index

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22 The table shows the percentage changes in earnings and consumer prices for four countries for one year.

Which country is likely to have experienced the greatest increase in real income during the year?

	country	earnings	consumer prices
A	France	+6.5	+3.5
B	Germany	+4.0	+4.0
C	Japan	+4.0	–1.0
D	UK	+6.5	–2.0

23 In the US Consumer Price Index (CPI), food has a weighting of 13.7%. In India food has a weighting of 46.2% in the CPI.

What can be concluded from this?

A Consumers in India spend more on food than US consumers.

B Food is a bigger proportion of consumer spending in India than in the US.

C The farming sector's output of food is higher in India than in the US.

D The price of food is rising more rapidly in India than in the US.

24 In many developing economies there is a high rate of population growth.

What is a cause of this?

A Jobseekers migrate from rural to urban centres.

B Poor people have many children to provide labour on family farms.

C There is increased resistance to life saving drugs.

D There is not enough clean water.

25 A country has a birth rate of 30 per 1000 and a death rate of 35 per 1000 and no migration.

What is most likely to cause the population to fall?

A The birth rate decreases and the death rate increases.

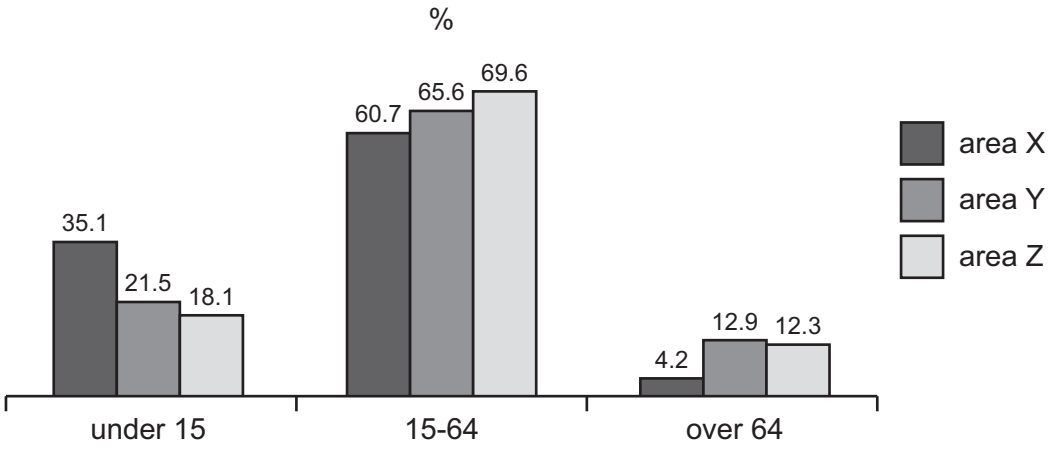
B The birth rate increases and the death rate remains the same.

C The birth rate remains constant and the death rate decreases.

D The increase in the birth rate is greater than the increase in the death rate.

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26 The diagram shows the different age distribution of the population in three areas of the world.



Other things being equal, what can be deduced from the diagram?

A X has the highest dependency ratio.

B Y has the largest working population.

C Y spends most on schools.

D Z spends most on pensions.

27 What is likely to cause a rise in a country's foreign exchange rate?

A a fall in its exports of goods and services

B a fall in its imports of goods and services

C a fall in its inflow of income

D a rise in its outflow of transfers

28 Drinks producers in India are resisting plans to remove tariffs on imported drinks. They claim that a reduction in tariffs would destroy the emerging drinks industry with large-scale imports of cheap drinks.

Which argument for protectionism are they putting forward?

A the declining industry argument

B the infant industry argument

C the strategic industry argument

D the sunset industry argument

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29 Who is most likely to benefit if India bans all steel imports?

A buyers of steel in India

B foreign steel producers

C Indian firms buying steel

D Indian firms selling steel at home

30 What is certain to encourage a higher level of international trade?

A conservation of resources and unstable exchange rates

B exploitation of resources and wider use of quotas

C increased support for home industries and increased tariffs

D more specialisation and falling transport costs

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