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Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ECONOMICS **0455/12**

Paper 1 Multiple Choice **February/March 2017**

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 **11** printed pages and **1** blank page.

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1 A person bought a shop and stocked it with fresh fruit. He employed one member of his family to help in the shop.

Which factors of production have been used?

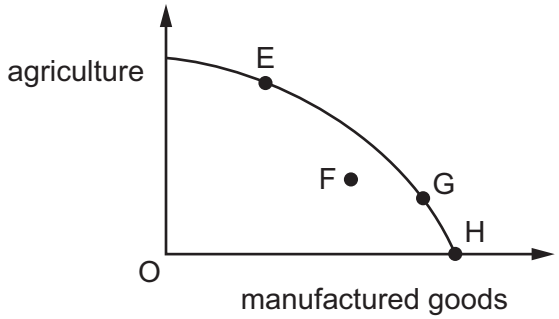
A labour and capital only

B labour, capital and enterprise only

C land and labour only

D land, labour, capital and enterprise

2 The diagram shows a production possibility curve for a country. As a result of an increase in demand for manufactured goods it moves from a situation of unemployment to full employment.



How would this be represented on this diagram?

A by a movement from E to G

B by a movement from F to E

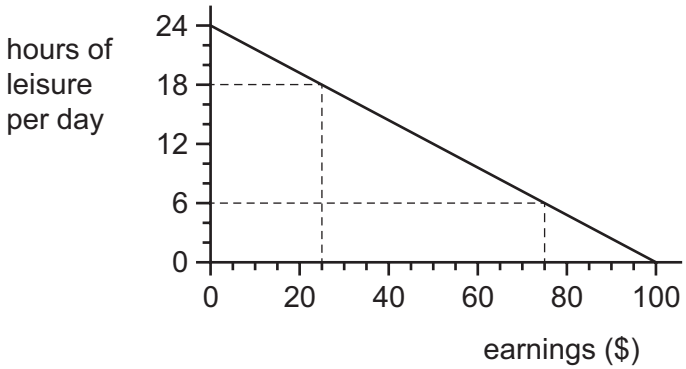
C by a movement from F to G

D by a movement from G to H

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3 The diagram shows the choices for an individual between leisure and earnings. He currently earns $25 a day.



What is the opportunity cost for the person if he accepts more work and earns $75 a day?

A $25

B $50

C 6 hours of leisure a day

D 12 hours of leisure a day

4 What is an example of market failure?

A a growth of competition

B a spread of pollution

C a surplus of production in the short term

D an existence of scarcity

5 What will be the impact on the market for oil of the closure of the world's largest oil field for maintenance work?

A a movement down the supply curve

B a movement up the demand curve

C a shift of the demand curve to the left

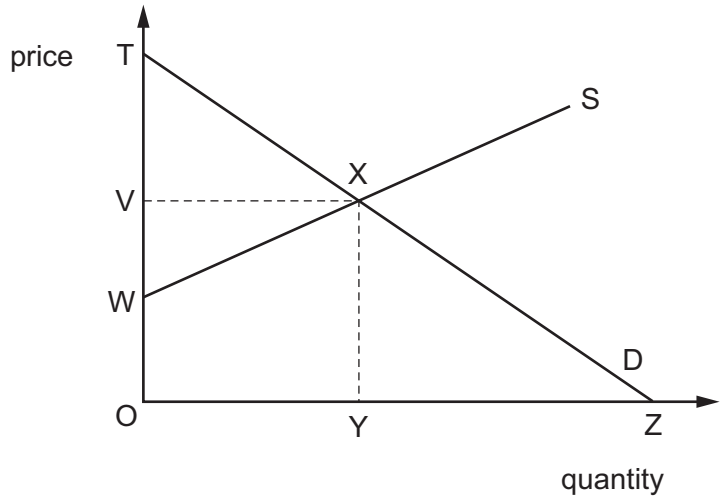
D a shift of the supply curve to the right

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6 The diagram shows a market for rice that is in equilibrium.



Which area represents the total revenue for rice farmers?

A OTXY **B** OVXY **C** OVXZ **D** OWXY

7 A product has a price elasticity of demand that is greater than one.

What will happen to total revenue if the price of the product is reduced by 3%?

A It will fall by more than 3%.

B It will fall to zero.

C It will be unchanged.

D It will rise.

8 Why are some assembly workers poorly paid?

A because their work is exhausting

B because their work is repetitive

C because their work is unskilled

D because they work long hours

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9 The table shows the change in income for selected occupations between 1995 and 2015.

occupation	change in income %
car assembly workers	110
builders	110
teachers	60
nurses	30
shop assistants	–5

What can be concluded from the table?

A Car assembly workers and builders earned the same in 2015.

B Everyone was better off in 2015 than 1995.

C Nurses earned less than teachers in 2015.

D Secondary sector workers received the highest percentage increase.

10 This table shows how three people spend their income.

	person X	person Y	person Z
food and housing	60%	20%	30%
travel and leisure	20%	40%	30%
luxury goods	20%	40%	40%

Put the three people in the most likely order of income from the lowest to the highest income.

A X, Y, Z **B** X, Z, Y **C** Y, Z, X **D** Z, Y, X

11 What is usually a function of a trade union?

A It advertises the products that the members make.

B It conducts negotiations with employers for increased wages.

C It hires company employees.

D It negotiates with suppliers for reduced costs of materials.

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12 A firm's aim is to become a monopoly supplier.

Which policy is it most likely to use to eliminate competition?

A adopt price reductions and advertising

B avoid diseconomies of scale

C maximise output and profit

D reduce financial barriers to entry

13 When is a firm most likely to reduce its demand for labour?

A when the demand for the final good increases

B when the firm's profitability increases

C when the price of labour decreases

D when the productivity of labour decreases

14 The high volume of goods sold by large supermarkets enables them to reduce prices, but the most important advantage that these businesses have is that they can sell non-food items as well as food.

Which economic results does the statement suggest are available to large supermarkets?

A economies of scale and diversification

B external benefits and specialisation

C horizontal integration and optimum output

D increased sales and diminishing returns

15 A firm produces five units of output at an average cost of $20 per unit. The cost of the sixth unit is $26.

What is the average cost of six units?

A $4.33 **B** $6 **C** $8.33 **D** $21

16 What is **not** a public sector expenditure?

A claims paid on travel insurance for cancelled flights

B collections of rubbish by a local council to meet regulations on recycling waste

C grants from central funds to compensate people whose property has been damaged by storms

D the establishment of a national database to assist the police in finding criminals

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17 The Indian government uses direct and indirect taxation.

Which is a direct tax?

A corporate (profits) tax

B customs duty

C goods and services tax

D petrol tax

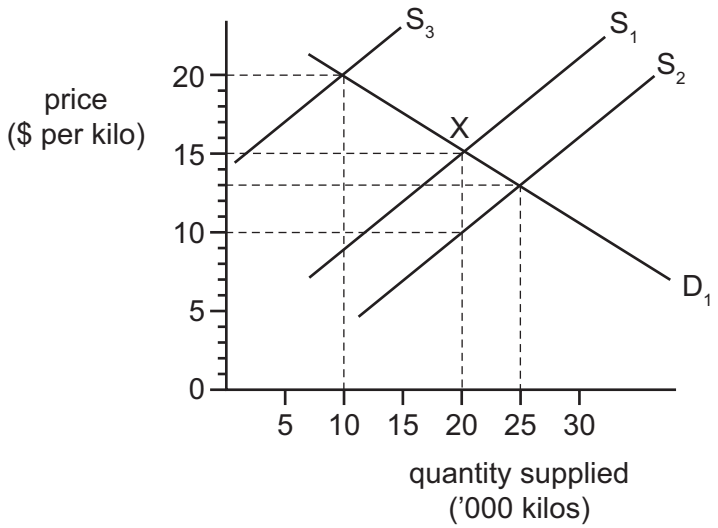
18 A worker earns $60 000 a year and pays 25% income tax. He spent $2000 on furniture and $5000 on a computer and paid 20% sales tax on each.

How much indirect tax did he pay?

A $1000 **B** $1400 **C** $15 000 **D** $16 400

19 The Indian government gives farmers a subsidy of $5 per kilo to supply food in a market where X is the 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 subsidy?

	equilibrium price ($ per kilo)	quantity supplied ('000 kilos)
A	10	20
B	13	25
C	15	20
D	20	10

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20 What may cause an immediate decrease in the working population?

A a falling death rate

B a falling infant mortality rate

C a rising birth rate

D a rising rate of net emigration

21 Which combination of changes in national output and population would cause an increase in GDP per head?

	national output	population
A	decrease by 4%	unchanged
B	decrease by 5%	decrease by 6%
C	increase by 3%	increase by 5%
D	unchanged	increase by 2%

22 The table shows the Consumer Price Index (CPI) of an economy over five years.

year	CPI
1	100
2	103
3	105
4	107
5	110

Between which years was the rate of inflation the greatest?

A from year 1 to year 2

B from year 2 to year 3

C from year 3 to year 4

D from year 4 to year 5

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23 In a year the rate of inflation in a country was 3%. During that year company managers' salaries rose by 6% and office workers' wages rose by 2%.

What happened to real income (purchasing power)?

	company managers	office workers
A	fell	fell
B	fell	rose
C	rose	fell
D	rose	rose

24 Developing countries often wish to prevent the population in rural areas moving to the towns. Investment grants are given to companies if they set up their businesses in rural areas.

What is this policy intended to achieve?

A decreased government expenditure

B decreased transport costs

C increased economies of scale

D increased use of labour

25 The population structure of many developed countries is changing. Birth rates are low, those over 65 are living longer and the working population (16-65 years) is a smaller proportion of the total population.

What is the most likely consequence of this changing structure?

A Economic migrants make up shortages in the working population.

B Overall the standard of living is gradually falling.

C The population is healthier and needs less medical care.

D The ratio of those under 16 dependent on the working population is rising.

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26 The table shows data for four countries in 2006.

	life expectancy (years)	computers per 100 population	percentage of labour force employed in agriculture	birth rate
Bangladesh	64.1	1.2	66	24.8
Egypt	71.3	3.7	27	24.2
India	64.8	1.5	60	23.0
Pakistan	65.6	1.6	42	27.2

On the basis of the information given, what is the likely ranking order of the four countries in terms of development, starting from the most developed to the least developed?

A Bangladesh → India → Pakistan → Egypt

B Egypt → Pakistan → India → Bangladesh

C India → Egypt → Bangladesh → Pakistan

D Pakistan → Bangladesh → Egypt → India

27 The table shows details of India's current account of the balance of payments in the 1st quarter of 2014.

	$ billion
trade in goods (visible) balance	–34
trade in services (invisible) balance	**?**
primary income (income) balance	–7
secondary income (current transfers) balance	16
current account balance	–8

What is the trade in services (invisible) balance?

A surplus of $9bn

B surplus of $17bn

C surplus of $27bn

D surplus of $33bn

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28 Which policy is a form of protectionism?

A a tax on emissions

B a tax on imports

C a tax on income

D a tax on property

29 When does free trade occur?

A when goods are exported with government subsidies

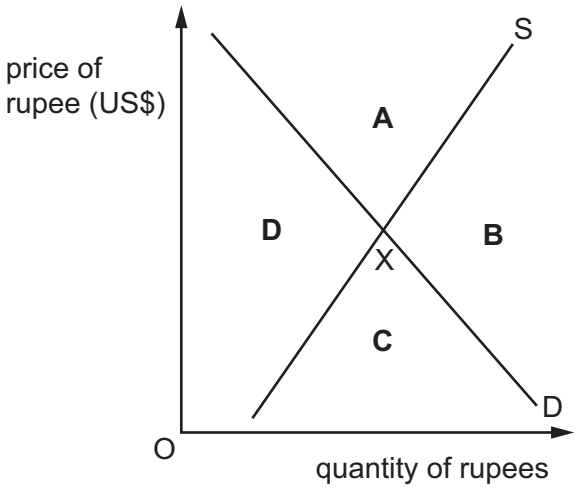
B when goods are given as part of an aid programme

C when goods are traded using barter

D when goods face no import barriers

30 The diagram shows the market for the Indian rupee priced in US dollars. The equilibrium point is at X.

If more Americans take holidays in India and fewer Indians buy American exports, in which sector of the diagram will the new equilibrium point for price and quantity of the Indian rupee be?



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