

International General Certificate of Secondary Education  
CAMBRIDGE INTERNATIONAL EXAMINATIONS

**ECONOMICS**

**0455/1**

PAPER 1 Multiple Choice

**OCTOBER/NOVEMBER SESSION 2002**

1 hour

Additional materials:

Multiple Choice answer sheet

Soft clean eraser

Soft pencil (type B or HB is recommended)

**TIME** 1 hour

**INSTRUCTIONS TO CANDIDATES**

**Do not open this booklet until you are told to do so.**

Write your name, Centre number and candidate number on the answer sheet in the spaces provided unless this has already been done for you.

There are **forty** questions in this paper. Answer **all** questions. For each question there are four possible answers, **A, B, C** and **D**. Choose the one you consider to be correct and record your choice in **soft pencil** on the separate answer sheet.

**Read very carefully the instructions on the answer sheet.**

**INFORMATION FOR CANDIDATES**

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 question paper consists of 12 printed pages.**

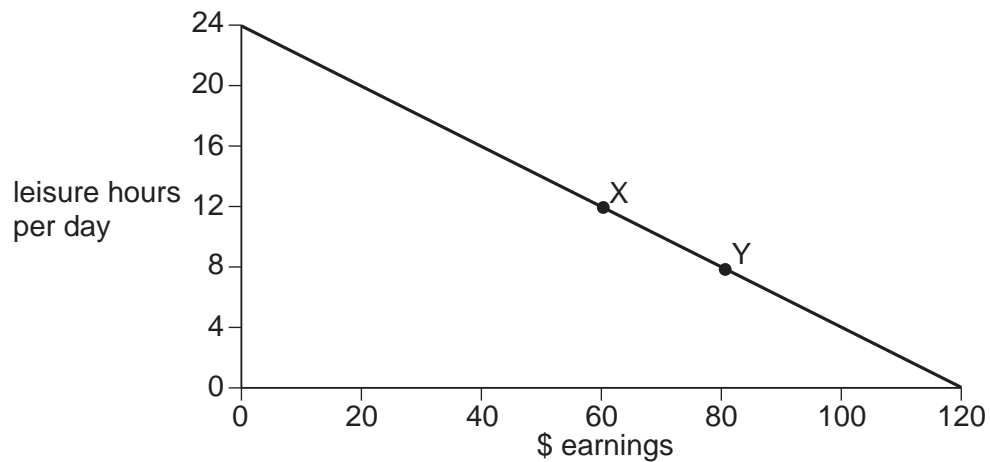


- 1 Although people may satisfy their basic needs there is always something more that they want.

To what economic issue does this statement refer?

- A exchange
- B market forces
- C scarcity
- D income distribution

- 2 The diagram shows the choices for an individual between leisure and earnings.



What is the opportunity cost to the individual of the extra earnings when moving from position X to position Y?

- A \$20
  - B \$80
  - C 4 hours leisure
  - D 8 hours leisure
- 3 Which asset is **not** part of the factor of production 'land'?
- A a forest
  - B a natural harbour
  - C an oilfield
  - D a road

- 4 A student records her income and spending for the past month.

What function is money performing in this situation?

- A medium of exchange
- B standard of deferred payments
- C store of value
- D unit of account

- 5 A claim for higher wages by a trade union would **not** be helped by an increase in

- A consumers' demand.
- B labour productivity.
- C profit.
- D unemployment.

- 6 What is meant by 'the separation of ownership and control' in business organisations?

- A increased control by the workforce
- B government intervention in business organisations
- C the employment of managers who are not shareholders
- D the expansion of private enterprise

- 7 Which organisation controls the banking system in most countries?

- A central bank
- B commercial bank
- C investment bank
- D World Bank

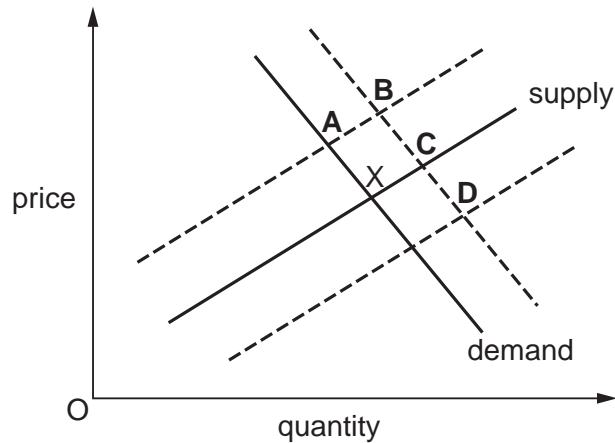
- 8 Many countries have been extending the role of market forces in their economies.

What is intended to result from this action?

- A greater economic efficiency
- B greater equality of income
- C less specialisation
- D more government control

- 9 The diagram shows the supply and demand curves for a good. The market is in equilibrium at point X.

What would be the new equilibrium situation if this good were successfully advertised and the cost of raw materials for the good rose?



- 10 The table shows Rover car sales in the UK in 1999 and 2000. In 1999 the sales followed the usual seasonal pattern.

month	sales 1999	sales 2000
January	8 445	7 767
February	4 524	3 348
March	18 765	15 210
April	7 109	20 150
May	7 157	7 793

In which month of 2000 did an aggressive price cutting policy disturb the usual pattern?

- A** January      **B** March      **C** April      **D** May
- 11 Many workers from Pakistan and India go to work in Dubai for short periods to overcome unemployment in their home country.

Which of the following is correct about the effect on the supply of labour and unemployment?

- |                               |                      |
|-------------------------------|----------------------|
| <i>supply of labour</i>       | <i>unemployment</i>  |
| <b>A</b> decrease in Dubai    | increase in Pakistan |
| <b>B</b> decrease in Pakistan | decrease in India    |
| <b>C</b> increase in Dubai    | increase in India    |
| <b>D</b> increase in India    | decrease in Dubai    |

- 12 Changes in the market for gasoline (petrol) in Zimbabwe in 2000 resulted in fuel shortages and long queues.

Which combination of changes would have been certain to cause this situation?

	demand for gasoline	supply of gasoline
<b>A</b>	decreased	decreased
<b>B</b>	decreased	increased
<b>C</b>	increased	decreased
<b>D</b>	increased	increased

- 13 What is an increase in advertising likely to cause?

- A** a fall in demand
- B** the demand curve to shift downwards to the right
- C** the demand curve to shift upwards to the right
- D** the supply curve to shift downwards to the left

- 14 What would be most likely to encourage a farm worker to move to a job in a town?

- A** an increase in journey time to work to the job in town
- B** an increase in the amount of training needed for the job in the town
- C** an increase in the hours of work required in the job in town
- D** an increase in wages for the job in town

- 15 In 2000 the governments in a number of European countries had decided to reduce the amount of gold held in their central banks.

What was likely to happen to the price of gold and the wages of gold miners as a result of this decision?

	price of gold	wages of gold miners
<b>A</b>	fall	fall
<b>B</b>	fall	rise
<b>C</b>	rise	fall
<b>D</b>	rise	rise

- 16 Which of the following factors is likely to cause wages in an occupation to be low?
- A extra responsibility
  - B rising unemployment
  - C the need for special skills
  - D unpleasant working conditions
- 17 On completing your studies, you decide you want to work in an organisation which is big enough to give you a chance of promotion, but where shift work will not normally be required.

Which of the following would be the best one to choose?

- A a government office
  - B a hairdressing salon
  - C a hospital emergency department
  - D a local electrician's
- 18 Which worker is likely to have the highest wages?
- A a hospital doctor
  - B an office clerk
  - C a rubbish collector
  - D a shop assistant

- 19 The table shows the total costs and profits of a firm making bracelets.

sales of bracelets	total costs (\$)	profit (\$)
100	400	-200
200	500	-100
300	600	0
400	700	+100

What is the average revenue from selling bracelets?

- A \$1
- B \$2
- C \$100
- D \$200

- 20** Which statement must be true if a firm maximises profits?
- A** It could not make any more profit by changing the size of the output.
  - B** It makes goods at the lowest possible cost.
  - C** It makes more profit than its competitors.
  - D** It sells as many goods as it possibly can.
- 21** Which statement about fixed costs is correct?
- A** They exist only in the long run.
  - B** They include raw material and direct labour costs.
  - C** They increase at the same rate as output.
  - D** They must be paid even if there is no output.
- 22** In 2000 there was a proposal for British Airways to merge with the Dutch Airline KLM. As a result one in six of the workforce and some offices would no longer be required.

What does this statement suggest would happen if the two companies merged?

- A** Air fares would rise.
- B** Average cost would rise.
- C** Fixed and variable costs would decrease.
- D** Total revenue would decrease.

- 23** A firm sells its products for \$10 each. It produces 100 units. Its average variable cost is \$5 and its average fixed cost is \$2.

How much profit does the firm make from selling 100 units?

- A** \$1000      **B** \$700      **C** \$500      **D** \$300

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

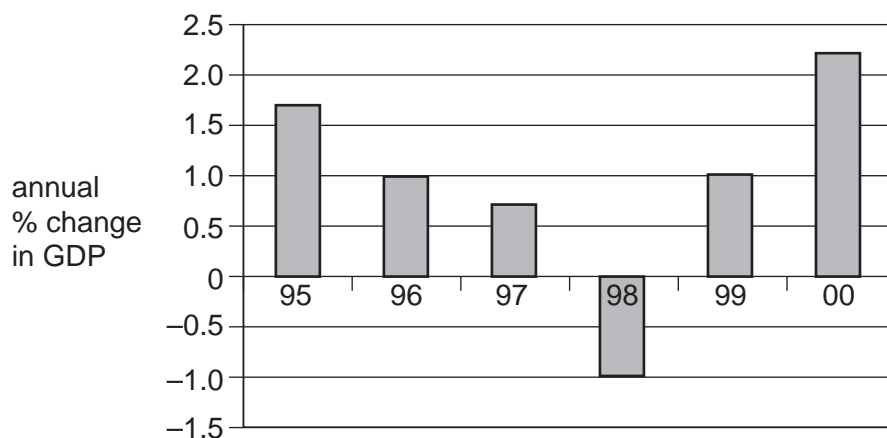
number of employees	100
average wage	\$900
value of output	\$100 000
rent	\$10 000
raw materials	\$20 000

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

- A \$300      B \$10 000      C \$20 000      D \$30 000
- 25 A government increases pension payments to its retired employees.

What must increase immediately?

- A Gross Domestic Product  
 B public expenditure  
 C the budget surplus  
 D the cost of living
- 26 The graph shows the rate of economic growth in country X.



Which of the following statements is true?

- A Gross Domestic Product fell from 1996 to 1997.  
 B Gross Domestic Product was lowest in 1998.  
 C Gross Domestic Product rose from 1995 to 1996.  
 D There was no economic growth between 1996 and 1999.



27 The following are a government's receipts from taxation.

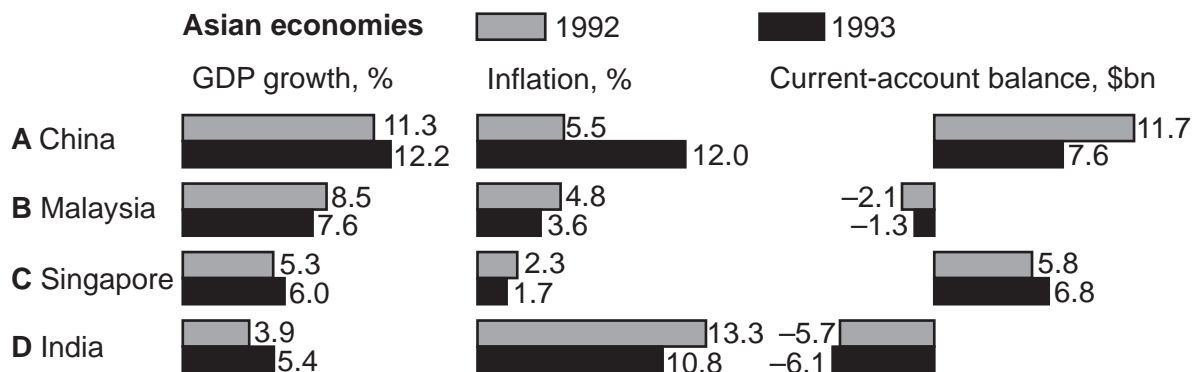
	\$m
corporation tax	85
customs duties	20
income tax	550
inheritance tax	35
sales tax	200

What is the total amount of revenue raised from direct taxes?

- A \$340 m
  - B \$585 m
  - C \$670 m
  - D \$785 m
- 28 A government wishes to raise the general standard of living in its country. In the short run, which policy would be the most likely to achieve this aim?
- A preventing the merger of two companies into a monopoly
  - B raising taxation to repay a loan
  - C reducing the rate of income tax while maintaining the services it provides
  - D spending more on roads in rural areas and less in city centres
- 29 The rate of inflation in the UK in 2001 was very low. Which of the government objectives does this directly meet?
- A balance of payments stability
  - B economic growth
  - C full employment
  - D price stability
- 30 What is the most obvious evidence of inflation?
- A a rise in imports
  - B a rise in the Gross Domestic Product (GDP)
  - C a rise in the national debt
  - D a rise in the retail price index

- 31 The bar chart shows details of three economic indicators of several Asian economies in 1992 and 1993.

Which country improved its economic performance in all three indicators?



- 32 Two important industries in Zimbabwe are tourism and tobacco. During the 1990s people in Zimbabwe found that their currency was not worth as much in terms of other currencies.

If there were no other changes what would this mean?

- A Imported goods in Zimbabwe shops became cheaper.
  - B Zimbabwe tobacco sold in foreign markets became cheaper.
  - C Zimbabwe exports decreased in volume.
  - D Tourists visiting Zimbabwe would be discouraged by higher prices.
- 33 The economy of the USA grew by approximately 4% a year between 1990 and 2000.

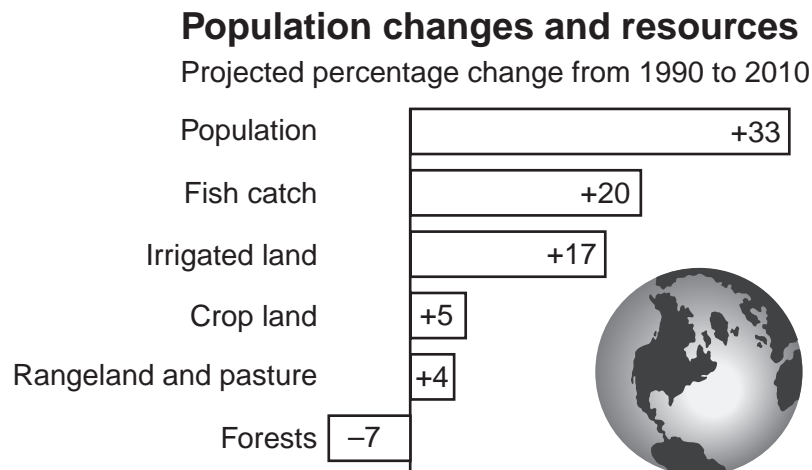
What must have increased from 1990 to 2000?

- A average price level
  - B gross domestic product
  - C labour productivity
  - D level of employment
- 34 Suppose Germany sells more cars to Spain and buys less insurance from Britain.

How do these changes affect the German balance of payments?

- A visible exports rise                      invisible imports fall
- B visible exports rise                      invisible imports rise
- C visible imports fall                      invisible imports fall
- D visible imports rise                      invisible imports fall

- 35 The diagram shows the changes predicted in population and resources between 1990 and 2010.



According to the diagram what will increase between 1990 and 2010?

- A all resources  
 B food production  
 C living standards  
 D resources per head of population
- 36 What is most likely to cause an immediate increase in the size of the dependent population?
- A a decrease in net migration  
 B a fall in the average size of families  
 C a lowering of the age of retirement  
 D a rise in the death rate
- 37 Given the following information, which country is most likely to have the highest standard of living?

	A	B	C	D
	Bangladesh	Bhutan	Botswana	Brunei
birth rate	27	36	31	25
death rate	10	14	21	5
life expectancy	58	53	40	72
infant mortality	93	107	57	22

38 The table shows the rice yield in four selected countries.

country	(kilos per hectare)
Japan	64
China	53
Bangladesh	20
Thailand	20

What may be concluded from this information?

- A Bangladesh and Thailand produce the same amount of rice.
  - B Japan produces more than three times as much rice as Bangladesh.
  - C Japan produces the largest amount of rice per hectare.
  - D Japan produces the largest amount of rice per person employed.
- 39 What is an advantage of specialisation in jobs?
- A Different abilities are fully used.
  - B Jobs are repetitive.
  - C Production becomes dependent on several groups of workers.
  - D The possibility of unemployment increases because of automation.
- 40 A company has the choice of either producing at home and exporting finished goods or establishing factories in its export markets.

Other things being equal, what is most likely to encourage the company to set up a plant in another country?

- A High tariffs are imposed on manufactured imports by most countries.
- B Investment grants are available to companies producing in the home market.
- C Labour and other costs tend to be the same in all countries.
- D Restrictions are placed on companies wishing to invest in other countries.