



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

---

**ECONOMICS**

Paper 1 Multiple Choice (Core)

**0455/01**

**May/June 2007**

**1 hour**

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

\* 0 2 0 9 1 2 9 6 5 0 \*

---

**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.

There are **forty** 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.



- 1 What is an example of the factor of production 'capital'?
- A a truck
  - B a truck driver
  - C a truck driver's savings
  - D a truck driver's wage
- 2 What makes specialisation easier?
- A the imposition of taxation
  - B the protection of trade
  - C the system of barter
  - D the use of money
- 3 In a market economy, who determines the allocation of resources?
- A central authorities only
  - B firms only
  - C consumers and firms only
  - D central authorities and firms only
- 4 A government is faced with the choice of raising taxation or cutting public spending.  
Of what is this an example?
- A conservation of resources
  - B monetary policy
  - C opportunity cost
  - D substitution of factors
- 5 Each country of Southern Africa has a mixed economy.  
Which statement about a mixed economy is correct?
- A The government employs most primary sector workers.
  - B The government owns all major secondary sector industries.
  - C The government owns the transport network.
  - D The government provides public and merit goods.

- 6 When will a trade union be most effective in pursuing its members' interests?
- A The economy is in recession with rising unemployment.
  - B The employers have few orders for the product.
  - C The government passes a law to increase competition in the labour market.
  - D The members' wages make up a small part of total costs.
- 7 What is the main advantage that a public limited company has over a private limited company?
- A It operates in the public sector.
  - B Its shares can be sold on the stock exchange.
  - C It is managed by a director.
  - D Its shareholders have limited liability.
- 8 What is the function of a stock exchange?
- A It enables shareholders to sell their shares.
  - B It fixes fair prices for shares.
  - C It promises to buy unsold shares.
  - D It sets the number of shares.
- 9 A French company employs French people, is located only in France, sells shares on the stock exchange but uses other firms to transport its products to other countries.
- What type of company is this?
- A a co-operative
  - B a private company
  - C a public company
  - D a multi-national
- 10 A demand curve for a product shows the relationship between its price and
- A cost of production.
  - B population changes.
  - C the income of the consumer.
  - D the quantity of the product consumed.

11 The following was printed in a magazine.

More soft drinks are being consumed than ever before by the 16 – 34 age group. Schweppes, the drink manufacturers, claim that over 45 per cent of their soft drinks are now being consumed without alcohol as people switch away from alcoholic spirits.

How would this change be represented on a demand and supply diagram for soft drinks?

- A decrease in demand
- B decrease in supply
- C increase in demand
- D increase in supply

12 In many countries, the price of personal computers has fallen while the quantity sold has risen.

What is the most likely reason for these changes?

- A Advertising campaigns for computers increased.
- B Computer production technology improved.
- C Computer software became cheaper.
- D Real incomes rose.

13 Australian mines are among the world's largest suppliers of uranium but the mines are contaminating Australia's natural environment. It is recommended that the mining companies install new equipment which causes less pollution.

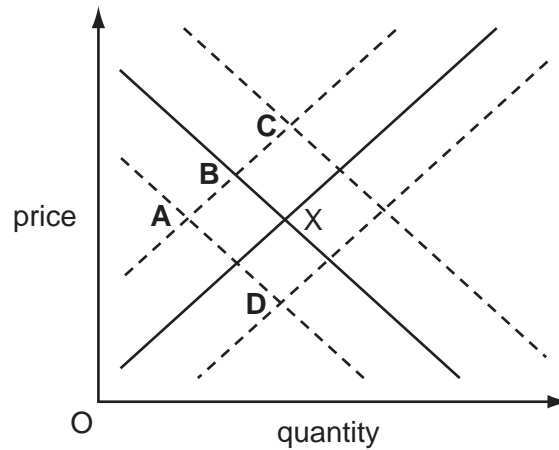
If this is done, how would it be represented on a demand and supply diagram for uranium?

	demand curve	supply curve
<b>A</b>	shift to left	no change
<b>B</b>	shift to right	shift to left
<b>C</b>	no change	shift to left
<b>D</b>	shift to left	shift to right

- 14 The diagram shows the demand and supply of places in independent (private) schools which charge fees. The equilibrium position is X.

The costs of independent (private) schools rise. Also a report is issued which states that Government schools achieve very good examination results.

What is likely to be the new equilibrium position?



- 15 Which group is likely to save the largest proportion of its income?

- A employed workers
- B retired people
- C school students
- D unemployed workers

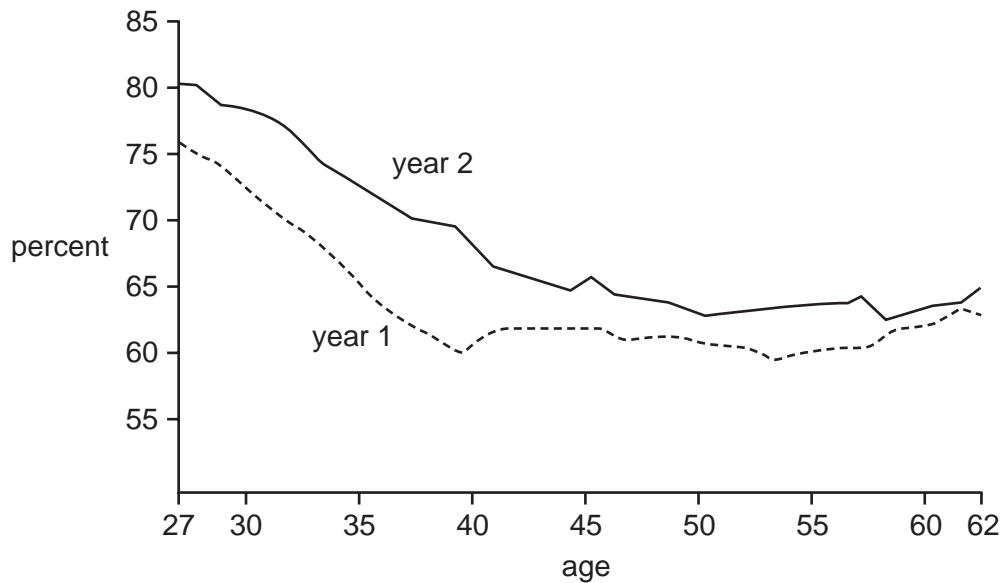
- 16 What is **not** included in a person's stock of wealth?

- A a gold watch
- B annual income
- C an oil painting
- D company shares

- 17 Which asset is the most illiquid?

- A cash
- B money order
- C government bonds
- D a house

18 The graph shows women's wages as a percentage of men's wages in year 1 and year 2.



Which statement is shown by the graph to be true?

- A Younger women earn more than older women.
- B Women's wages remain roughly the same between the ages of 40–50.
- C In year 2, all women were earning more than men.
- D In year 2, women were earning a higher percentage of men's wages than in year 1.

19 Which service is most likely to be supplied by a small business?

- A banking
- B dental treatment
- C heart surgery
- D rail travel

20 A British firm, Dyson, moved production of its vacuum cleaners from the UK to Malaysia.

Why might it have made this change?

- A average costs would fall
- B average revenue would rise
- C market share would fall
- D transport costs would rise

- 21 What is a fixed cost of production?
- A the commission paid to sales staff
  - B the cost of using the telephone
  - C the interest paid on a bank loan
  - D the money spent on repairs
- 22 What is **not** equal to the average revenue?
- A the price of each unit
  - B the profit from each unit
  - C the revenue from each unit
  - D the total revenue divided by output

- 23 The information below refers to an economy for a financial year.

Government expenditure = \$2 866 million

Government revenue = \$1 940 million

What was the budget balance of the Government in that year?

- A \$926 million in deficit
  - B \$4 806 million in deficit
  - C \$926 million in surplus
  - D \$4 806 million in surplus
- 24 A local tax will usually be
- A raised by a central government.
  - B used to provide a national road network.
  - C different from region to region.
  - D raised by using import tariffs.
- 25 A government establishes a body to control monopolies and mergers.
- Who is this intended to protect?
- A consumers
  - B foreign investors
  - C multi-nationals
  - D the government

- 26 Frictional unemployment occurs when
- A workers are temporarily between jobs.
  - B there is a general fall in total demand.
  - C certain major industries go into economic decline.
  - D new technology reduces the need for labour.
- 27 What is a reason for collecting national income statistics?
- A to calculate population changes
  - B to compare standards of living
  - C to fix exchange rates
  - D to keep inflation low
- 28 The table shows the proportion of the working population in different sectors in three countries.

country	agriculture %	manufacturing %	services %
Iran	38	33	29
Nepal	93	2	5
UK	2	42	56

What can be concluded from the table?

- A Iran has fewer people working in manufacturing than the UK.
  - B Nepal is a developed economy.
  - C Services are more developed in Iran than Nepal.
  - D The UK is dependent on agriculture.
- 29 In rural areas in developing countries women often do unpaid work on traditional activities. Why might this mean that the GDP is **not** a good measure of the standard of living in those countries?
- A The GDP does not include international trade.
  - B The GDP only refers to companies in urban areas.
  - C The work is not counted in GDP statistics.
  - D The work is not economically important.



- 30 The table shows the annual percentage changes in GDP and consumer prices in selected countries during a year.

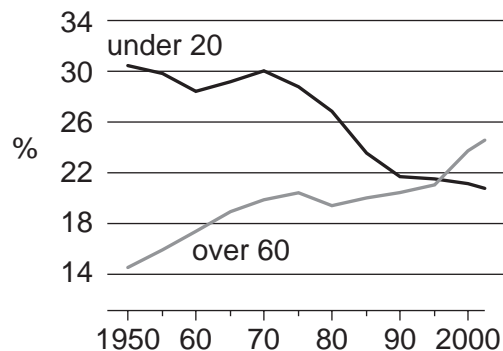
Which country has shown the biggest rise in real GDP over this period?

	country	% change in GDP	% change in consumer prices
<b>A</b>	Argentina	5.1	7.3
<b>B</b>	India	4.9	4.4
<b>C</b>	Malaysia	4.0	1.0
<b>D</b>	Philippines	4.5	3.3

- 31 Two industries in Namibia are fishing and tourism. The value of the currency of Namibia fell in 2001.

If there were no other changes, what resulted from the fall?

- A** Imported goods in Namibian shops became cheaper.  
**B** The price of Namibia's fish sold in foreign markets became cheaper.  
**C** The volume of Namibia's exports decreased.  
**D** Tourists were discouraged by higher prices in Namibia.
- 32 The diagram shows the percentage of the population of Germany aged under 20 and over 60 between 1950 and 2000.



What may be concluded from the diagram?

- A** The average age was similar in 1950 and 2000.  
**B** The dependency ratio was similar in 1950 and 2000.  
**C** The growth in total population ceased by 2000.  
**D** The standard of living fell continuously from 1950.

33 Which country is likely to have the **lowest** standard of living?

	birth rate	death rate	life expectancy	infant mortality
<b>A</b>	25	10	57	24
<b>B</b>	43	31	40	42
<b>C</b>	25	5	72	22
<b>D</b>	36	14	48	56

34 In 2005, world population had grown to 6.5 billion with an increase of more than 4 billion since 1950.

What is **most** likely to have been the cause of this?

- A** an increase in the death rate in developed countries
- B** an increase in the birth rate in developing countries
- C** an increase in migration from developing to developed countries
- D** an increase in the death rate in developing countries

35 At the G8 Economic Summit in 2005, it was decided to cancel much of the debt which African countries owed to European and North American countries.

This will have the same effect as a transfer of resources from

- A** developed countries to developing countries.
- B** developing countries to developed countries.
- C** market economies to planned economies.
- D** planned economies to market economies.

36 A government decides to reduce the size of the quota on a good.

What is likely to happen?

- A** The balance of trade will worsen.
- B** The good will become cheaper.
- C** The government's revenue will decline.
- D** There will be less of the good imported.

37 Which combination would offer increased trade protection for an economy?

	domestic subsidies	tariffs
<b>A</b>	bigger	higher
<b>B</b>	bigger	lower
<b>C</b>	smaller	higher
<b>D</b>	smaller	lower

38 Why may it be better to increase public expenditure while reducing private expenditure?

- A** Goods and services which the market ignores can be provided.
- B** Government officials are likely to be more careful spending money than private individuals.
- C** The profit motive makes government departments more efficient than private firms.
- D** The government is the best judge of the satisfaction gained from goods and services.

39 Zambia is the fifth largest producer and the second largest exporter of copper in the world. Copper brings Zambia 85% of all the money Zambia earns in trade.

What can be concluded from this?

- A** Copper prices are high because Zambia is a large producer.
- B** Manufacturing production in Zambia is very diversified.
- C** Zambia can influence the world price of copper.
- D** Zambia produces copper more cheaply than all other countries.

40 What will result if Europe reduces trade barriers to increase imports of clothing and food from Asia and Africa?

- A** greater choice for European consumers
- B** increased income for European producers
- C** lower unemployment in the European clothing industry
- D** slower economic growth in Asia and Africa

**BLANK PAGE**

---

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

University of Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.