Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ECONOMICS **0455/11**

Paper 1 Multiple Choice **May/June 2016**

45 minutes

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

* 8 4 8 2 9 9 2 5 3 6 *

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.

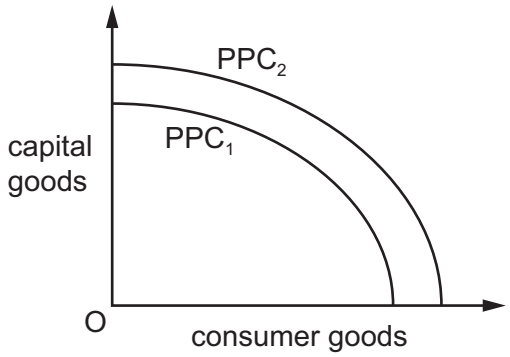
There are **thirty** questions on this paper. Answer **all** questions. For each question there are four possible answers **A**, **B**, **C** and **D**.
Choose the **one** you consider correct and record your choice in **soft pencil** on the separate Answer Sheet.

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.

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1 The diagram shows an initial production possibility curve of PPC_1.



What may cause the movement of the production possibility curve from PPC_1 to PPC_2?

A a better educated workforce

B a decrease in availability of raw materials

C increased wages

D lower productivity

2 An increase in the number of manufacturing robots in the car manufacturing industry represents an increase in the quantity of which factor of production?

A capital

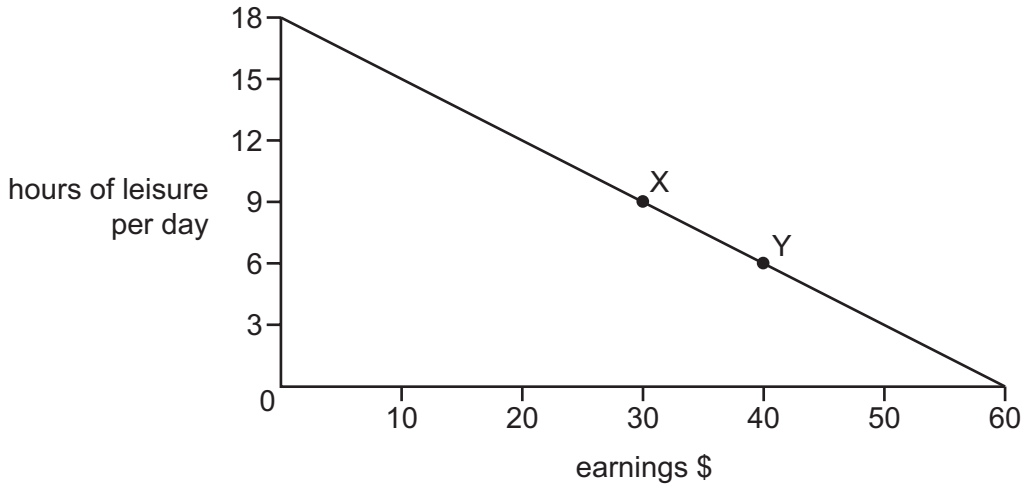
B enterprise

C labour

D land

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3 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 $10

B $40

C 3 hours of leisure per day

D 9 hours of leisure per day

4 A government taxes the production of cars.

What is likely to decrease?

A the cost of supplying cars

B the price of cars

C the revenue for the government

D the supply of cars at every price

5 Which pair of economic institutions can be found in a market economy?

A charities and public corporations

B multinationals and commercial banks

C public corporations and private companies

D stock exchange and government hospitals

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[Turn over

6 Developers want to increase the size of a major retail shopping area in a city. It is thought that the proposal would create hundreds of jobs, be profitable for the shops but cause major traffic congestion.

What economic concepts are directly involved in this statement?

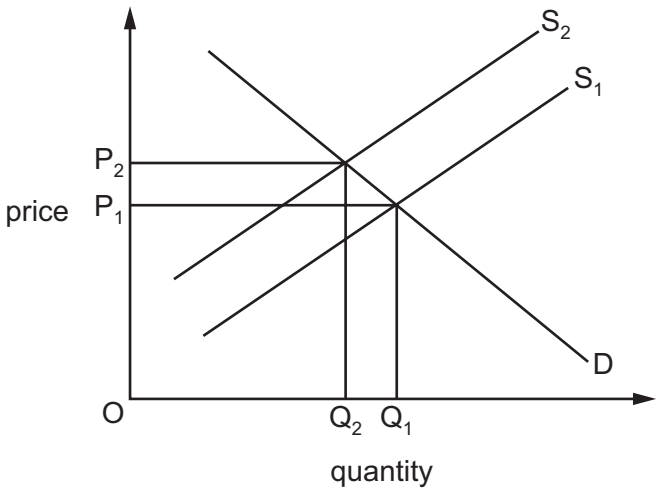
A external cost and private benefit

B income distribution and inelastic demand

C private investment and a decrease in supply

D social benefit and perfect competition

7 The diagram shows the market for rice.



What would have caused the equilibrium price to rise from OP_1 to OP_2?

A a government subsidy to rice farmers

B a successful advertising campaign for rice

C improved rice farming methods

D poor weather conditions

8 What might a trade union usually be expected to do for its members?

A arrange childcare facilities for members' children

B ensure adequate promotion prospects exist

C negotiate better working conditions

D provide medical insurance

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9 What is the usual reason why citizens trust their country's banknotes?

A They are acceptable for trade and exchange.

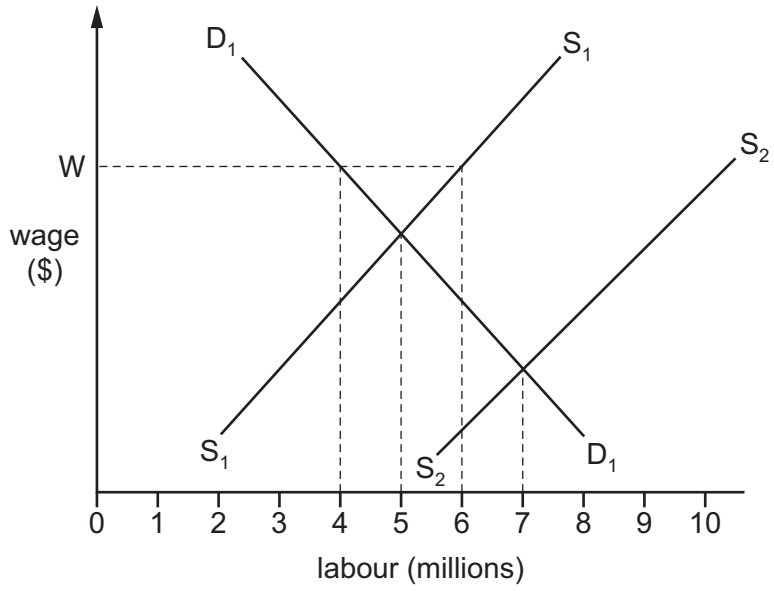
B They are backed by gold at the central bank.

C They are convertible into the US$ or Chinese Yuan.

D They are recognisable and in infinite supply.

10 In the diagram, D_1D_1 and S_1S_1 represent the demand for and the supply of labour. W indicates a legal minimum wage.

An influx of immigrant labour causes the supply curve for labour to shift from S_1S_1 to S_2S_2.



How many people will be employed if the minimum wage legislation is then abolished?

A 4 million **B** 5 million **C** 6 million **D** 7 million

11 The table shows how three people spend their income.

	person X	person Y	person Z
food, clothing and housing	30%	25%	50%
entertainment and leisure	35%	35%	25%
luxury goods	35%	40%	25%

For these three people, what is the most likely order of income, from highest income to lowest income?

A X → Y → Z

B Y → X → Z

C Y → Z → X

D Z → X → Y

12 How does a firm guarantee that it makes the maximum profit?

A by maximising the difference between its total revenue and total cost

B by maximising the number of goods that it sells

C by minimising the number of goods that it keeps in stock

D by minimising the difference between average revenue and average cost

13 Which characteristic does a firm in perfect competition have in common with a monopoly?

A the ability to exclude rivals

B the benefit of internal economies of scale

C the problem of diseconomies of scale

D the wish to maximise profits

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14 The table shows the units of factors of production that a firm needs to employ for two different levels of output.

land	labour	capital	output
5	2	4	100
10	4	8	150

What is the firm experiencing?

A constant returns to scale

B diseconomies of scale

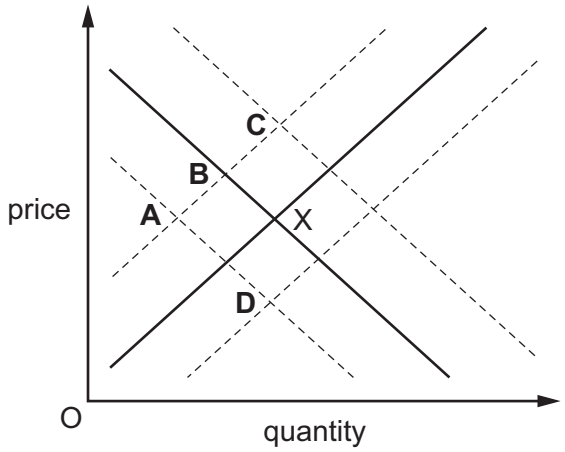
C external diseconomies of scale

D external economies of scale

15 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?



16 A government wishes to stimulate economic recovery.

Which action will assist this?

A decreasing government investment

B decreasing income tax

C increasing indirect taxation

D increasing interest rates

17 What is an expansionary monetary policy?

A a decrease in the interest rate

B a decrease in the rate of value added tax

C an increase in the power of trade unions

D an increase in the standard rate of income tax

18 A government decides to make two changes to its taxation policies. It lowers the tax on petrol and raises the tax on food.

How do these changes affect the regressive nature of the taxes?

	lower petrol tax	higher food tax
A	less regressive	less regressive
B	less regressive	more regressive
C	more regressive	less regressive
D	more regressive	more regressive

19 The table shows a government's receipts from taxation.

	$m
air passenger duty	10
company profits tax	100
import duty	75
income tax	200
insurance policy tax	10
sales tax (VAT)	400

What is the total amount of revenue raised by indirect taxes?

A $95 m **B** $300 m **C** $400 m **D** $495 m

20 What is Gross Domestic Product (GDP) divided by to calculate GDP per head?

A net migration

B the birth rate

C the total population

D the working population

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21 Who is made worse off during a period of deflation?

A cash holders

B creditors

C debtors

D fixed income earners

22 The table gives information about three economic indicators in four 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 unemployment.

C The country with the lowest inflation had the highest unemployment.

D The country with the lowest unemployment had the lowest inflation.

23 What must result when a country experiences economic growth?

A a higher Gross Domestic Product

B a lower rate of inflation

C a surplus on the balance of trade

D an improved standard of living for everybody

24 Why may the figure calculated for a developing country's Gross Domestic Product be inaccurate?

A There are unused resources.

B There is a high reliance on imports.

C There is a large amount of subsistence farming.

D There is a small amount of skilled labour.

25 The table gives information on four countries.

Which country is likely to be most developed?

	population (m)	Gross Domestic Product ($ billion)	life expectancy (years)
A	100	800	51
B	200	6000	62
C	300	600	48
D	1000	1600	63

26 It has been predicted that by 2050 China will have 53 million fewer children under 14, 100 million fewer workers and 234 million more people aged over 60.

What will be the likely effect in China of these changes?

A The dependency ratio will fall.

B The Government's expenditure will fall.

C The Government's income will fall.

D The total population will fall.

27 What might cause the balance on the current account of Mauritius to improve?

A increased purchases of coffee from Kenya

B increased transport of Mauritian goods in Greek ships

C increased spending by Mauritians on holidays in South Africa

D increased spending by tourists in Mauritian hotels

28 A country says that it wishes to increase its trade protection policies.

What might that involve?

A conservation of resources and taxes on external costs

B eliminating waste in the use of resources and grants to multinational companies

C increased self sufficiency and increased tariffs

D price controls and increased regulations on domestic monopoly industries

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29 It has been suggested that all countries producing arms should ban the export of weapons and cut production in order to reduce the risk of war.

What would happen if this occurred?

A The balance of payments on current account of countries exporting weapons would immediately improve.

B The price of existing weapons would fall.

C There would be a risk of structural unemployment in countries that are major producers of weapons.

D There would be no overall effect on the balance of payments as countries would produce their own weapons.

30 70% of the 10 million kilograms of tea produced in India is exported. The UK, Japan, and Germany buy the most.

Wholesale prices rose 10% in 2013 as supply was restricted because of a strike.

How would these circumstances be shown in international trade accounts?

A a credit on the goods and services account for Germany

B a debit on the goods and services account for Japan

C a 10% fall in the balance of the goods and services account for India

D a 10% rise in the balance of goods and services account for the UK

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