Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ECONOMICS **0455/11**

Paper 1 Multiple Choice **October/November 2015**

45 minutes

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

* 3 6 3 2 1 7 4 7 1 4 *

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.

IB15 11_0455_11/2RP
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1 A business person employs two people to make sandwiches to sell in a cafe.

As well as labour, which factors of production are involved in this activity?

A capital, enterprise and land

B capital and land only

C capital and enterprise only

D enterprise and land only

2 Why is choice an important part of the basic economic problem?

A Choice is necessary to achieve an equilibrium price.

B Limited resources have many uses.

C Manufacturers produce a large variety of foods.

D The market leads to an unequal distribution of goods.

3 A power plant is built to provide electricity to a rural area in Botswana.

What is the opportunity cost to the local economy of building the plant?

A the cost of the building materials

B the price of electricity

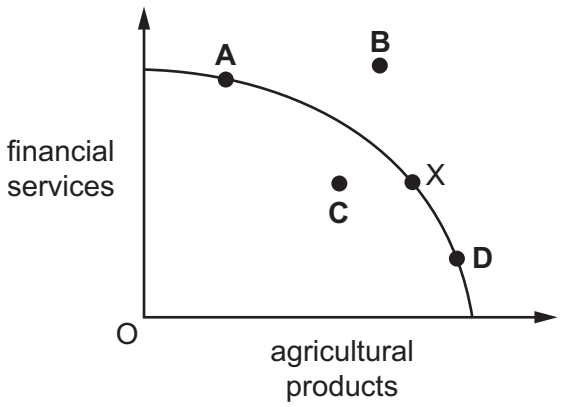
C the school which was not built as a result

D the wages of the power plant workers

4 The diagram shows a production possibility curve for an economy that can provide financial services or agricultural products. The economy is at point X.

Bad weather destroys part of the agricultural produce.

At which point will the economy be in the diagram?



5 In a mixed economy, output is produced by

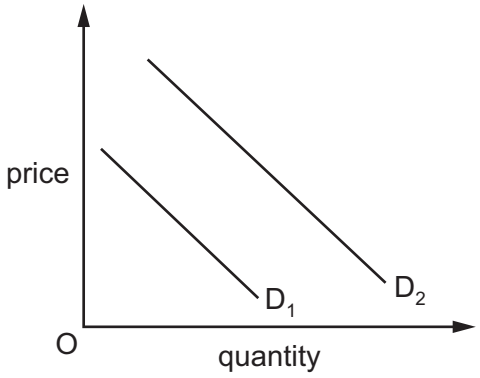
A private enterprise and individuals.

B the market alone.

C the state alone.

D the state and private enterprise.

6 The diagram shows a shift in the demand curve for table-tennis balls.



What is the **most** likely cause for this shift in the demand curve?

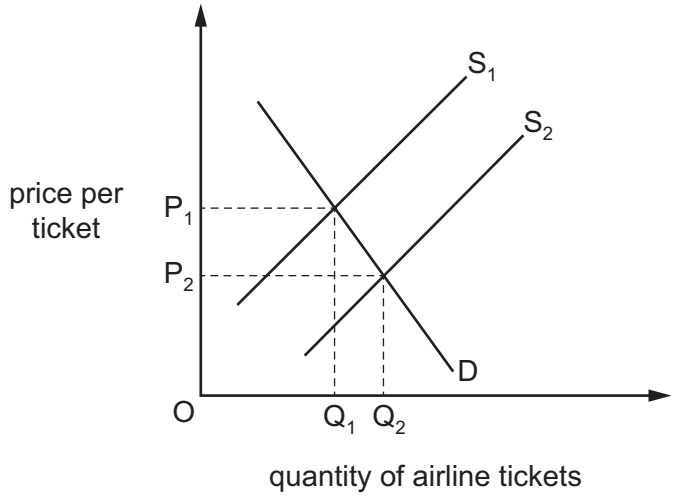
A a fall in the price of the equipment for substitute games

B an increase in the membership of table-tennis clubs

C a rise in membership fees of table-tennis clubs

D the building of more sports clubs providing table-tennis

7 Air travel and rail travel are substitute forms of transport. The diagram shows the effect of new technology on the market for air travel.



What would be the most likely effect on the market for rail transport?

A a decrease in demand for rail transport

B an increase in the price of rail tickets

C an increase in supply of rail transport

D an increase in the total income of rail companies

8 A developer built some large houses in a rural area which poorer people could not afford. The houses destroyed an area of natural beauty.

What type of market failure resulted from the development?

A ignoring external cost

B inequality of income

C lack of information

D price discrimination

9 A country's central bank raised the rate of interest from 1% to 4% per year.

How would this change have affected the amount saved and the cost of borrowing by individuals?

	amount saved	cost of borrowing
A	decreased	decreased
B	decreased	increased
C	increased	decreased
D	increased	increased

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10 When will a trade union be **less** likely to be able to achieve a rise in wages for its members?

A during a recession

B in an economic boom

C when productivity is rising

D where there is a limited supply of labour

11 The table shows how three people spend their income.

	person R	person S	person T
food and clothing	20%	45%	35%
entertainment	40%	35%	40%
luxury goods	40%	20%	25%

Put the three people in the most likely order of their incomes, from the **lowest** income to the highest income.

A R, S, T

B S, T, R

C T, R, S

D T, S, R

12 A market changes from perfect competition to monopoly.

What is likely to happen to output and price in this market?

	output	price
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

13 A company decided to reduce the price of its product by 10%.

What would happen?

A The firm's costs would decrease if the elasticity of demand was greater than one.

B The firm's profits would increase if the elasticity of demand was greater than one.

C The firm's revenue would increase if the elasticity of demand was greater than one.

D The quantity sold would decrease if the elasticity of demand was less than one.

14 The world's open-cast mining of mineral ores is dominated by a few multinational companies which employ relatively few workers.

What does this indicate?

A Production is capital-intensive.

B Productivity of labour is low.

C The market is perfectly competitive.

D There is a monopoly of world production.

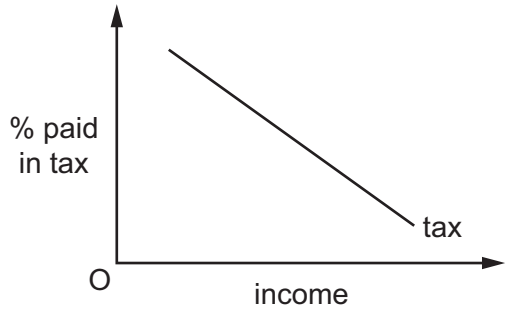
15 The table shows the information that managers of a company have from a week of business activity.

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

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

A $300 **B** $10 000 **C** $20 000 **D** $30 000

16 The diagram shows the percentage of income taken by a tax at different levels of income.



What term is used to describe the tax?

A indirect

B progressive

C proportional

D regressive

17 Which statement about the meaning of government economic aims is correct?

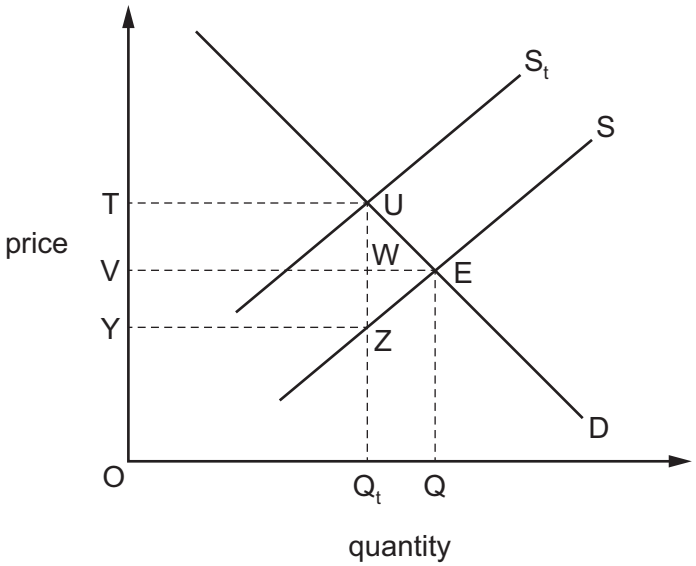
A Economic growth means that a country's real output must rise over time.

B Full employment means that no one must be unemployed.

C Price stability means that the price of all goods and services must remain unchanged.

D Redistribution of income means that everyone must have equal incomes.

18 The diagram shows the imposition of a tax of UZ on a good.



Which area shows the government's tax revenue?

A TUEV **B** TUEZY **C** TUWV **D** TUZY

19 A government decided to increase its spending on building schools and hospitals.

Which aim of government policy is most likely to be achieved by this increase?

A a balance of payments surplus

B a stronger exchange rate

C economic growth

D price stability

20 To make Gross Domestic Product a better measure of comparative living standards it needs to be adjusted by

A deducting the effects of exports and inflation.

B deducting the effects of imports and exports.

C deducting the effects of population change and exports.

D deducting the effects of population change and inflation.

21 What is **not** involved in the construction of a retail price index?

A a base year

B a basket of goods

C the income tax rate

D the weighting of products

22 What is likely to fall when the rate of unemployment in a country falls?

A business confidence

B consumer spending

C government budget deficit

D government revenue from taxes

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

Which country will have experienced a constant level of real income during the year?

	earnings	consumer prices
A	7.5	6
B	5	4
C	3	3
D	0	2

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24 How would the proportions of different age groups in the population compare between low-income developing countries and high-income developed countries?

Low-income developing countries would have a

A higher proportion of the elderly and higher proportion of young people.

B higher proportion of the elderly and lower proportion of young people.

C lower proportion of the elderly and higher proportion of young people.

D lower proportion of the elderly and lower proportion of young people.

25 Which feature would be most helpful in identifying a typical developing country?

A the level of Gross Domestic Product

B the rate of rural to urban migration

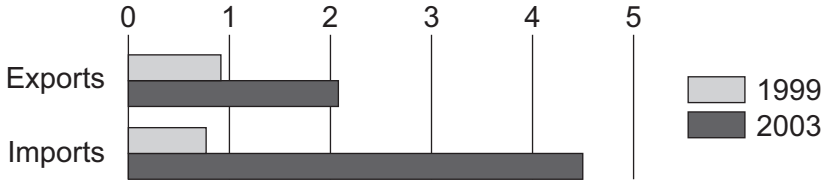
C the size of geographical area

D the size of the population

26 How is a sharp rise in the price of oil likely to be seen by different oil-consuming countries?

	oil-consuming countries with a low standard of living	oil-consuming countries with a high standard of living
A	desirable and manageable	desirable and unmanageable
B	desirable and unmanageable	desirable and manageable
C	undesirable and manageable	undesirable and unmanageable
D	undesirable and unmanageable	undesirable and manageable

27 The diagram shows China's trade with Brazil for 1999 and 2003 in billions of dollars.



With reference to the diagram, what happened to China's trade balance with Brazil between 1999 and 2003?

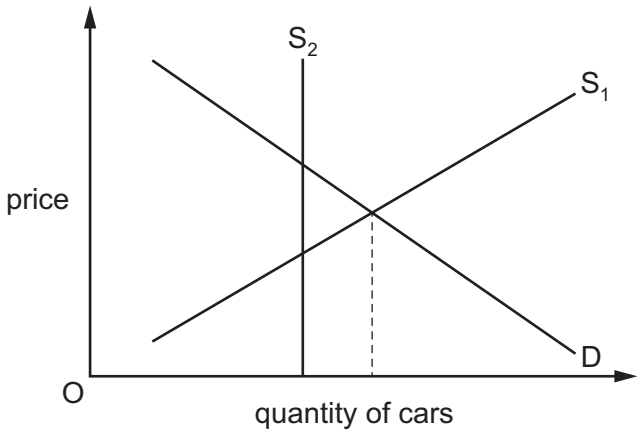
A It experienced a falling surplus.

B It experienced a rising deficit.

C It moved from deficit to surplus.

D It moved from surplus to deficit.

28 The diagram shows the market for imported cars.



Which government action could be shown by the change in the diagram?

A an embargo

B an exchange rate revaluation (appreciation)

C an import tax

D a quota

29 What is most likely to encourage international specialisation?

A similarities in climate in different countries

B the ability to produce products more cheaply than other countries

C the discovery of oil in a country that had no oil before

D very high international transport costs

30 Turkey's agricultural sector employs 48% of the country's workforce, compared with 17% in the United States (US) and 3.9% in France.

What could be concluded from this?

A France is likely to import more agricultural produce than the US.

B The workers in France are not as productive as those in Turkey.

C Total agricultural production is likely to be higher in Turkey than in the US.

D Turkey is likely to be less developed than France.

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