Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ECONOMICS **0455/11**

Paper 1 Multiple Choice **October/November 2017**

45 minutes

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

8122657378

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 **10** printed pages and **2** blank pages.

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1 An oil company announced in 2015 that it was starting its drilling operations for oil deposits in the Arctic Ocean.

What will be the effect of this?

A to increase the supply of raw materials

B to reduce the level of technology available

C to solve the economic problem

D to worsen resource allocation

2 A self-employed fortune teller earns a living by reading the palms of people's hands.

Which factors of production are essential to this activity?

A capital and enterprise

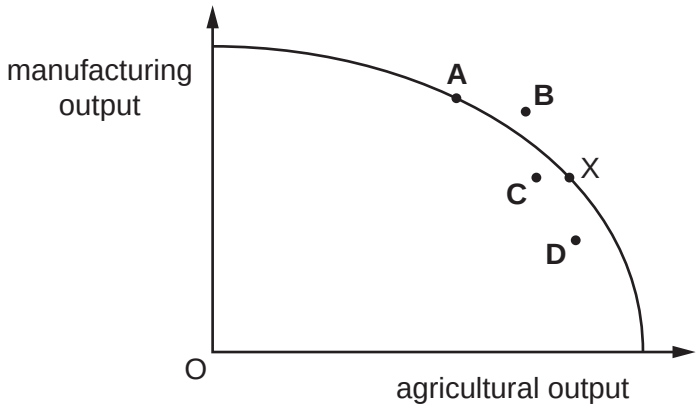
B enterprise and labour

C labour and land

D land and capital

3 A country is operating at point X on its production possibility curve (PPC). A drought significantly reduces agricultural output.

Which point represents the new position?



4 A government needs to decide how much to fine firms for causing the external costs of air pollution in industrial areas.

Which external cost would be the most difficult to measure in monetary terms?

A the discomfort associated with breathing

B the expenditure on additional healthcare

C the loss of earnings due to illness

D the medical research into respiratory disease

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5 What is an example of market failure?

A city centre congestion

B low economic growth

C rising prices

D trade deficits

6 The table illustrates the demand and supply for coffee in a market in Africa.

price per kg ($)	quantity demanded (kg)	quantity supplied (kg)
10	50	10
20	40	20
30	30	30
40	20	40
50	10	50

When the price rises from $20 to $30 per kg, what is the price elasticity of demand for coffee?

A 0.2 **B** 0.5 **C** 2.0 **D** 5.0

7 Between 2005 and 2015 the number of late-night music clubs in the UK fell from 3144 to 1733. The causes were said to be the increase in the cost to clubs of planning regulations and the increase in alternative ways of meeting people on social media.

How would the effect of these causes be shown on a demand and supply diagram for entrance to late-night music clubs?

	planning regulations	increase in dating websites
A	movement down the supply curve	shift of demand curve to left
B	movement up the supply curve	movement up the demand curve
C	shift of supply curve to left	shift of demand curve to left
D	shift of supply curve to right	shift of demand curve to right

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8 A job offers employees piecework, commission, paid holidays and a company pension.

Which are non-wage factors?

A commission and company pension

B company pension and paid holidays

C paid holidays and piecework

D piecework and commission

9 When will a trade union be most likely to succeed in achieving the aims of its members?

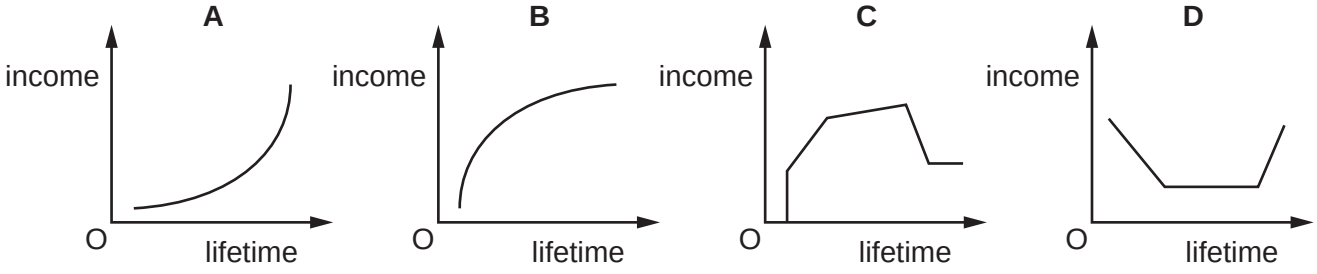
A when firms are trying to cut costs of production

B when the rate of unemployment in the country is high

C when trade union membership in the industry is compulsory

D when workers are unskilled

10 The typical pattern of income over a person's whole lifetime is shown by which diagram?



11 When choosing an occupation people often consider things other than the wage-rate.

What would **not** be a good match for the type of work that is desired?

	desired aspect	occupation
A	detailed work; career structure	lawyer
B	outdoor lifestyle; regular hours	farmer
C	part-time hours; work with people	supermarket assistant
D	technical knowledge; responsibility	telephone engineer

12 Which is an internal diseconomy of scale?

A a lack of communication in a firm

B a reduction of cost by buying in bulk

C a shortage of skilled labour in an area

D traffic congestion in a particular area

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13 What is **not** likely in an industry with many small firms?

A high capital costs

B high level of competition

C low barriers to entry

D low research expenditure

14 A major computer company announced that its profits had fallen below the level predicted.

What might have caused this?

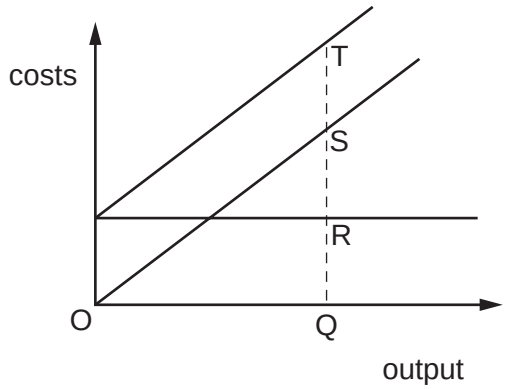
A increased advertising costs that greatly improved sales

B low prices that made the company's product competitive

C new technology that reduced costs

D reduced sales and low prices

15 The diagram shows the fixed costs, variable costs and total costs of a firm.



At output Q, which distance represents the firm's variable cost?

A QR **B** QT **C** RT **D** ST

16 What, when increased, will help a government to reduce the rate of inflation?

A budget deficit

B consumer spending

C income tax

D pensions

17 An economy has a deficit on its balance of trade in manufactured goods.

Which government policy will reduce this deficit?

A a decrease in subsidies paid to local manufacturers

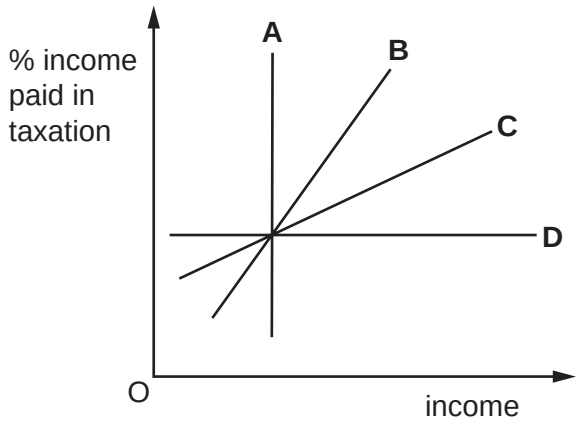
B an increase in interest rates

C an increase in sales tax on locally manufactured goods

D an introduction of import duties on manufactured goods

18 The graph shows the percentage of income paid in taxation.

Which line represents a proportional tax?



19 What is most likely to decrease when employment increases?

A economic growth

B government welfare payments

C the price level

D the standard of living

20 Why is the Human Development Index (HDI) often considered to be better than Gross Domestic Product (GDP) per head as a measure of living standards?

A GDP per head excludes economic growth.

B GDP per head ignores population growth.

C HDI includes more than the production of goods and services.

D HDI is calculated by the national government.

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21 An economy is predicted to grow at a rate of 3% during the next year.

What is most likely to cause this growth?

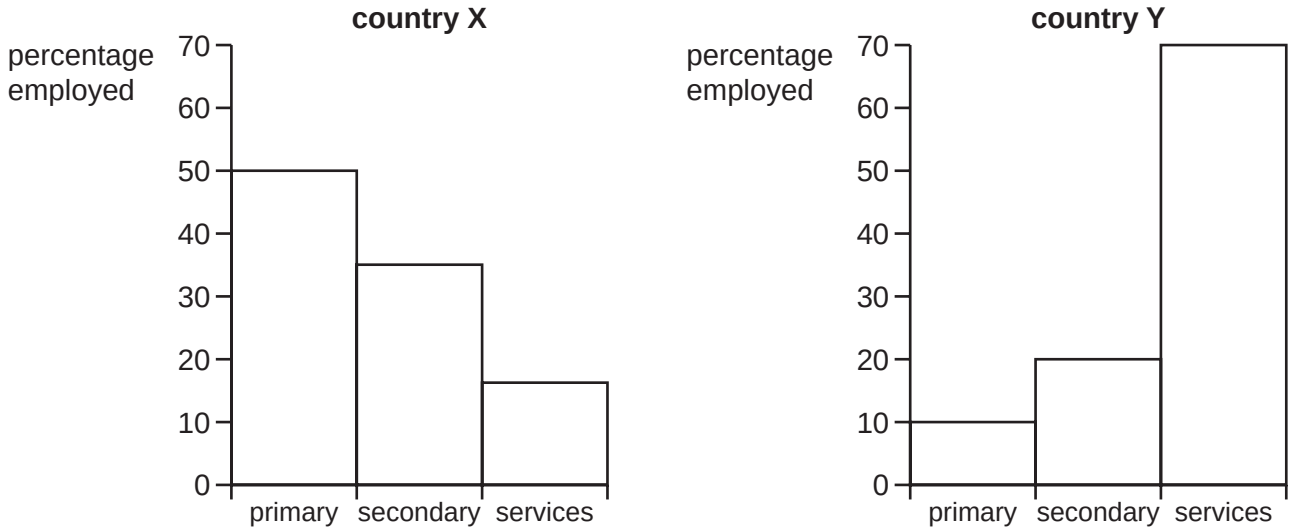
A an increase in expenditure

B an increase in interest rates

C an increase in sales (goods and services) tax

D an increase in the government's budget surplus

22 The diagrams show percentage employment in different sectors in two countries.



Which statement is correct when comparing country X and country Y?

A Country X employs more workers in secondary industry than country Y.

B Country X produces more primary output than country Y.

C Country Y is more developed than country X.

D Country Y produces more secondary output than country X.

23 Which policy aims to maintain low inflation over a period of time?

A imposing a minimum wage to be paid to workers

B reducing interest rates to encourage borrowing

C restricting the supply of money through the central bank

D writing off the debts of low-income countries

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24 What most accurately measures the international purchasing power of a currency?

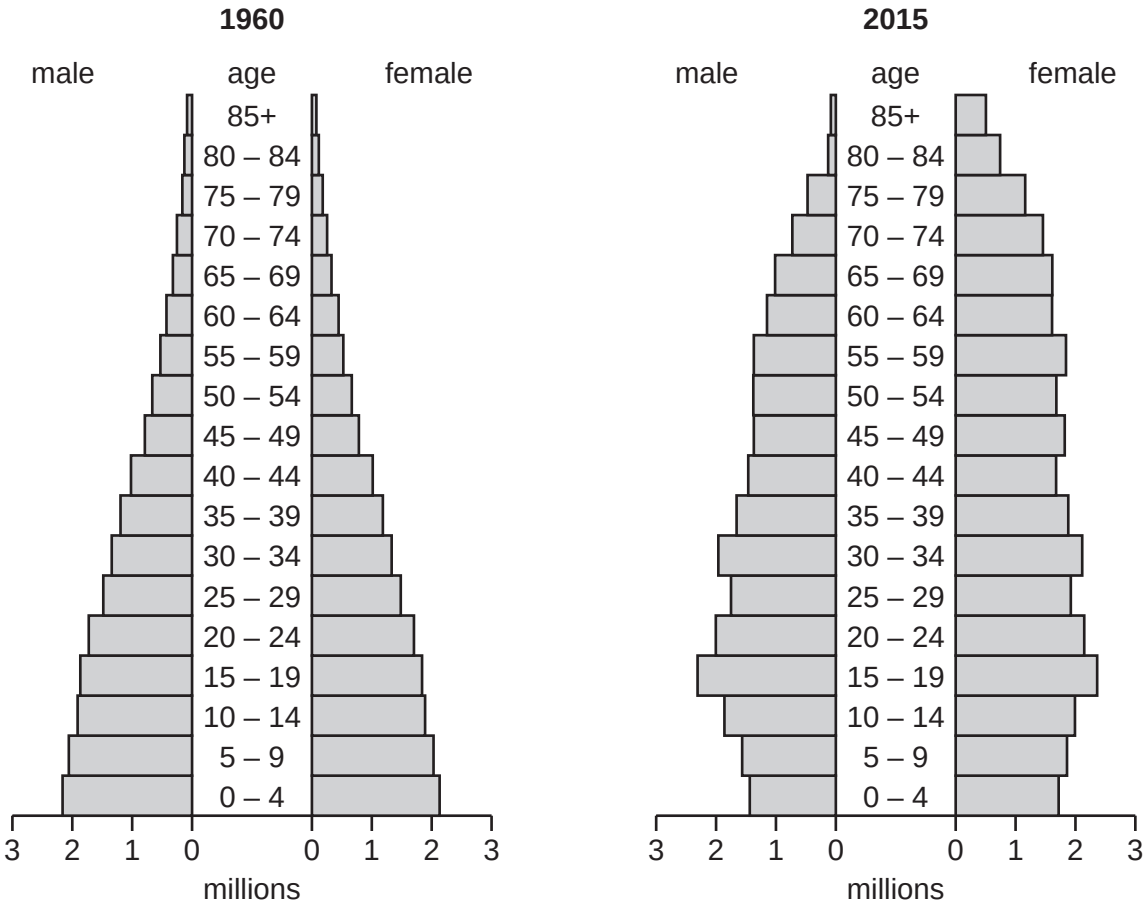
A the balance of payments

B the exchange rate

C the gross domestic product

D the rate of inflation

25 The charts show the population structure of a country in 1960 and 2015.



What **decreased** between 1960 and 2015?

A average age

B number of people below 15

C number of people over 60

D total population

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26 The table gives information about four countries.

Which country is likely to be most developed?

	life expectancy	GDP per head (US$)	% of labour force in agriculture
A	52	450	50
B	54	490	40
C	60	550	15
D	60	500	25

27 What is a benefit of tariffs?

A increased choice

B increased government revenue

C more competition

D more trade

28 What is a country said to have if the value of its exported goods exceeds the value of its imported goods?

A a surplus on its balance of payments

B a surplus on its balance of trade

C a surplus on its capital account

D a surplus on its current account

29 An Argentine product initially sells in the US for $50 when the exchange rate between the two countries is 5 pesos to 1 dollar

The exchange rate changes to 10 pesos to 1 dollar and the price of the product remains unchanged in Argentina.

What will be the new price of the product in the US?

A $5 **B** $25 **C** $100 **D** $500

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30 The UK wants to increase exports to the US.

What action will achieve this?

A borrowing US dollars from international banks

B devaluing UK pounds against the US dollar

C placing a quota on imports from the US

D selling US dollars to buy UK pounds

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