Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

ECONOMICS **0455/11**

Paper 1 Multiple Choice **October/November 2019**

45 minutes

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

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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 **11** printed pages and **1** blank page.

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1 What is classified as one of the four economic resources?

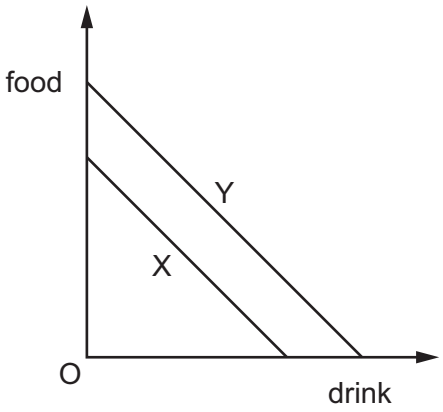
A consumption

B enterprise

C production

D trade

2 Countries X and Y have identical resources. The diagram shows their production possibility curves.



What can be concluded from the diagram?

A X can produce food and drink more cheaply than Y.

B X experiences higher unemployment than Y.

C Y can produce food and drink more efficiently than X.

D Y has higher retail prices than X.

3 Sam wrote a list of how he would prefer to spend his Saturday afternoon.

first choice	go to a cricket match
second choice	watch the annual town parade
third choice	go to the cinema
fourth choice	visit relatives

Unfortunately a thunderstorm caused the cricket match and the town parade to be cancelled. Sam went to the cinema.

What was the opportunity cost of going to the cinema?

A going to a cricket match

B watching the annual town parade

C visiting relatives

D losing his Saturday free time

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

A local government and charities

B monopolies and commercial banks

C nationalised industries and partnerships

D stock exchange and public corporations

5 In a city, what is most **unlikely** to be provided by the private market system?

A a museum

B a school

C a sports field

D street lights

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6 The table shows the quantity demanded and supplied for a commodity at different prices.

price ($)	quantity demanded	quantity supplied
10	100	800
9	210	700
8	400	600
7	500	500
6	600	400

What would happen to the equilibrium price if the quantity supplied increased by 200 units at each price?

A It would decrease by $1.

B It would decrease by $2.

C It would increase by $1.

D It would increase by $2.

7 The table shows the quantity that producers are willing to supply at different price levels.

price ($)	quantity supplied
120	20
150	40
180	80

If the price increases from $120 to $180, what would be the price elasticity of supply?

A 0.16 **B** 4 **C** 6 **D** 60

8 What is an example of a non-wage factor?

A bonus

B commission

C fringe benefits

D overtime rates

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9 An African government has abandoned its own dollar and now uses the US dollar as its currency.

Why would such a policy have been necessary?

A Commercial banks restricted their lending.

B Consumers only used credit cards rather than paper money.

C Its own dollar no longer acted as a store of value.

D The central bank controlled the issue of money too tightly.

10 The table shows how three people (X, Y and Z) spend their income.

	person X	person Y	person Z
food, clothing and housing	35%	50%	20%
entertainment and leisure	25%	20%	40%
luxury goods	40%	30%	40%

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

A $X \rightarrow Y \rightarrow Z$

B $Y \rightarrow Z \rightarrow X$

C $Z \rightarrow X \rightarrow Y$

D $Z \rightarrow Y \rightarrow X$

11 A musician has a choice of playing for an orchestra in either Germany or England.

Which combination of incomes and cost of living is **most** likely to cause her to choose the German orchestra?

	Incomes and cost of living in Germany compared with those in England		
	pre-tax (gross) income	after-tax (net) income	cost of living
A	higher	higher	higher
B	higher	lower	lower
C	lower	higher	higher
D	lower	higher	lower

12 What must result from an increase in output?

A a decrease in the average cost

B a decrease in the total costs

C an increase in the fixed costs

D an increase in the variable costs

13 What is characteristic of a monopoly market structure?

A A monopolist may determine the price of its product.

B A monopolist's product has many substitutes.

C There are no external costs.

D There is easy entry into the market.

14 The table shows the sales of cold drinks made by a company in the UK in 2016 and 2017. Demand for cold drinks is influenced by changes in the temperature. In 2016 the sales followed the usual seasonal pattern.

month	sales 2016 (thousand cans)	sales 2017 (thousand cans)
April	300	290
May	400	350
June	550	270
July	570	490
August	620	590

In which month of 2017 was the usual pattern disturbed?

A May

B June

C July

D August

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15 A firm producing bicycles has the following costs at different levels of output.

output	total fixed costs ($)	total variable costs ($)
10	300	800
20	300	1500
30	300	3300

What happens to the average total cost over this range of output?

A It falls continuously.

B It falls then rises.

C It rises continuously.

D It rises then falls.

16 One aim of government policy is to redistribute income through taxation in order to reduce inequality.

Which policy will achieve this aim?

A Impose a tax of $0.20 on every dollar earned.

B Increase the tax-free allowances after which tax must be paid progressively.

C Introduce a tax on all food.

D Provide an incentive to earn by reducing taxes for the highest paid.

17 What is an example of expansionary monetary policy?

A a decrease in income tax rates

B a decrease in the budget deficit

C a decrease in the money supply

D a decrease in the rate of interest

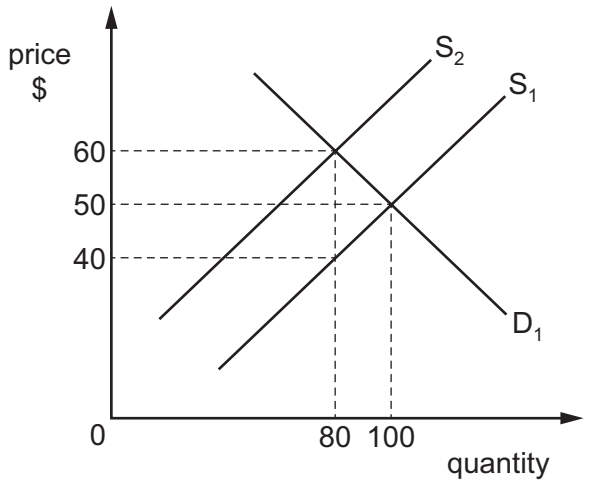
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18 Which actions would be likely to increase government expenditure and reduce revenues from taxation?

	government expenditure	tax revenues
A	improve health facilities for the elderly	encourage people to reduce their spending
B	increase the amount of the state pension	increase VAT (sales tax)
C	provide free bus transport for retired people	encourage people to work beyond retirement
D	raise the age of retirement	decrease bus fares

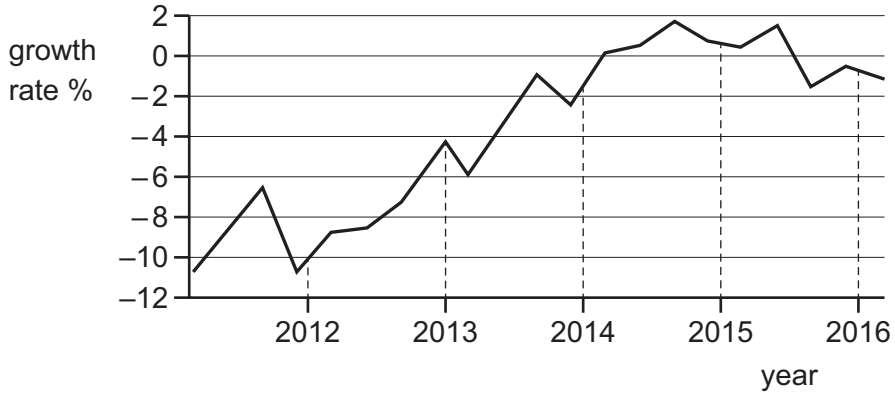
19 The diagram shows the impact of a government imposing an indirect tax on a good. The original demand curve is D_1 and original supply curve is S_1.



What is the total tax revenue gained by the government?

A $1600 **B** $3200 **C** $4800 **D** $5000

20 The chart shows the GDP annual growth rate (percentage), 2012–2016, for Greece.



In which years did Greece experience the longest period of positive economic growth?

A 2012–2013 **B** 2013–2014 **C** 2014–2015 **D** 2015–2016

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21 What are the components of the Human Development Index (HDI)?

A life expectancy at birth, expected years of schooling, GDP

B life expectancy at birth, expected years of schooling, GDP per head

C population growth, adult literacy rate, GDP per head

D population size, expected years of schooling, number of doctors per head

22 Which government policy would reduce economic growth?

A cutting the rate of corporation tax

B increasing expenditure on education

C lowering the rate of income tax

D raising interest rates

23 Rates of inflation and deflation are measured using a consumer prices index (CPI) over a period of time.

The table shows average rates of CPI for Japan from 2010–2014.

year	change in CPI
2010	–0.72
2011	–0.28
2012	–0.03
2013	0.36
2014	2.75

In which period did Japan experience deflation followed by inflation?

A 2010–2011 **B** 2011–2012 **C** 2012–2013 **D** 2013–2014

24 What is a typical characteristic of a developing country?

A equal distribution of income and wealth

B good medical care

C high gross domestic product per head

D high reliance on natural resources

25 In Botswana, better healthcare has meant that birth rates have been falling faster than death rates. Also the number of children born, on average, to each woman has declined from 6.4 to 3.2.

What may be concluded from this information?

A Government spending on education will need to increase.

B Medical improvements have resulted in falling infant mortality rates.

C There will be a decline in income for each person working.

D There will, in the long run, be an increase in the working population.

26 The table shows the percentage share of GDP held by the richest 20% and poorest 20% of the population in each country.

Which country had the greatest extremes of income and poverty?

	country	richest 20%	poorest 20%
A	Ghana	41.7%	8.4%
B	Nigeria	55.7%	4.4%
C	Senegal	48.2%	6.4%
D	South Africa	64.8%	2.9%

27 What would cause a favourable change in the Kenyan trade in services (invisible) account?

A A Kenyan company wins a contract to transport exports from Uganda.

B A Kenyan tea company increases its exports.

C A Kenyan trade delegation promoting coffee sales visits India.

D A Zambian company increases its exports to Kenya.

28 Protectionist policies reduce the level of global economic growth.

What is a possible reason for this?

A Incomes earned from trading decline.

B Tariffs encourage trade.

C The average cost of production decreases.

D The production possibility of an economy expands.

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29 The table shows the current account balance for four countries in 2016. It also shows each country's exchange rate against the US dollar for 2015 and 2016.

Which country had a trade surplus and a strengthened currency against the US dollar?

	country	current account balance US$ billion 2016	number of units of currency against US dollar	
			2015	2016
A	Australia	–47.9	1.39	1.38
B	Belgium	+4.8	0.92	0.96
C	China	+266.6	6.48	6.95
D	Taiwan	+74.7	32.90	32.00

30 What would reduce the volume of international trade in the world economy?

A a German bank making a loan to a Nigerian company

B a Japanese car manufacturer establishing a factory in the Czech Republic

C the Canadian government introducing quotas on Malaysian electronics products

D the Swedish government granting aid to Somalia

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