Cambridge Assessment International Education

Cambridge IGCSE™

ECONOMICS **0455/11**

Paper 1 Multiple Choice **October/November 2020**

45 minutes

You must answer on the multiple choice answer sheet.

You will need: Multiple choice answer sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

INSTRUCTIONS

- 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 multiple choice answer sheet.
- Follow the instructions on the multiple choice answer sheet.
- Write in soft pencil.
- Write your name, centre number and candidate number on the multiple choice answer sheet in the spaces provided unless this has been done for you.
- Do **not** use correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 30.
- Each correct answer will score one mark. A mark will not be deducted for a wrong answer.
- Any rough working should be done on this question paper.

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1 What is the basic economic problem?

A excess supply of goods and services

B lack of profits

C recession

D scarcity of resources

2 On which factor of production does innovation directly depend?

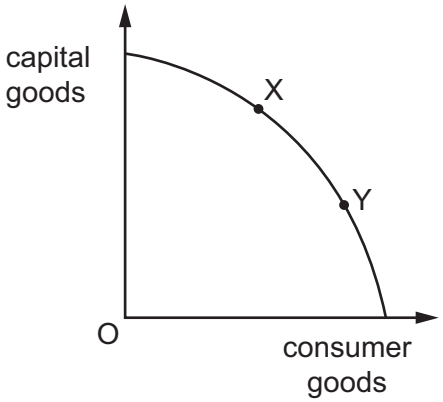
A decisions of entrepreneurs

B high inputs of capital

C long hours of manual labour

D plentiful supplies of land

3 The diagram shows an economy's production possibility curve (PPC). The economy moves from point X to point Y.



What is the **most** likely effect of this change?

A Different quantities of the goods are produced.

B More people are employed.

C There is an immediate fall in gross domestic product.

D There is an increase in investment.

4 Which person makes macroeconomic decisions?

A a bank manager

B a government finance minister

C a shareholder in a firm

D a worker

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5 What is a function of the price mechanism?

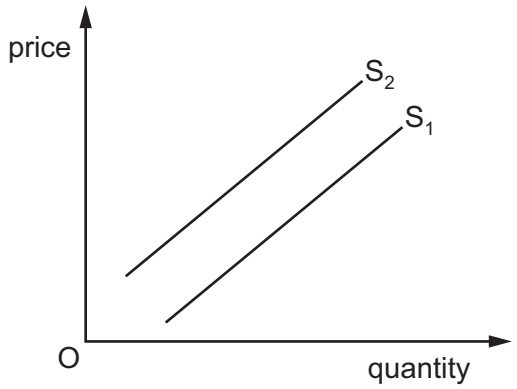
A to allocate goods and services

B to calculate national expenditure

C to ensure an equal distribution of income

D to guide government policy decisions

6 The diagram shows a shift in the supply curve for cars in China from S_1 to S_2.



What is the **most** likely cause of this shift in the supply curve?

A an increase in an indirect tax on petrol in China

B an increase in the price of cars in China

C an increase in the wages of Chinese car workers

D a new subsidy given to Chinese car manufacturers

7 The price elasticity of supply of a good is 2. The price of the good then falls by 10%.

What is the effect on quantity supplied?

A It falls by 0.2%.

B It falls by 20%.

C It increases by 0.2%.

D It increases by 20%.

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[Turn over

8 A German car manufacturer builds a factory in India. A group of Indian workers at the factory join a trade union.

What would this trade union be expected to do for the workers?

A Encourage the workers to bargain individually with the employer.

B Negotiate with the German government on tariff reductions for Indian-produced cars.

C Promote an advertising campaign to sell more Indian cars.

D Protect the workers against unfair dismissal by the employer.

9 Why do women, on average, earn less than men?

A Women may be less able than men.

B Women are not eligible for government jobs.

C Women may not work as hard as men.

D Women often face discrimination in the workplace.

10 The table shows how household spending changes with income.

income ($ per month)	spending ($ per month)
3000	3150
3300	3375
3600	3500
3900	3825
4200	4050
4500	4275

What is the lowest level of income at which savings are positive?

A $3000 **B** $3600 **C** $3900 **D** $4200

11 What can a central bank increase in order to reduce consumer borrowing?

A commercial bank deposits

B government spending

C the exchange rate

D the rate of interest

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12 In the short run, a firm calculates its total fixed cost, total variable cost and total cost. It then plots a graph showing how they change as output increases.

What happens to the lines showing the total variable cost and total cost as output increases?

A They merge to become one curve.

B They move closer together.

C They move further apart.

D They remain a constant distance apart.

13 A firm has fixed costs of $1000. The table shows the variable cost at different levels of output.

output (units)	1	2	3	4
variable cost ($)	100	190	270	350

If the goods are sold for $500 each, how much profit will be made from the sale of 4 units?

A $650 **B** $1000 **C** $1650 **D** $2000

14 When is it **most** likely that the demand for labour in an industry increases?

A When the demand for the industry's product increases.

B When the level of immigration into the country increases.

C When the level of qualifications needed to work in the industry decreases.

D When the level of wages paid in the industry increases.

15 What could cause internal diseconomies of scale for a firm?

A a fall in demand for the products produced by the firm

B a merger with another firm that results in slower decision-making

C spending more on research and development to create new products

D the lack of skilled labour in the geographical area where the firm is based

16 What are two aims that a government normally pursues when managing the performance of the whole economy?

A to encourage an increase in production and to prevent high inflation

B to ensure no one is unemployed and to reduce exports

C to give everyone equal incomes and to increase government revenue

D to protect the environment and to reduce interest rates

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17 What is **most** likely to be the responsibility of a central government?

A the provision of immigration officials at an airport

B the provision of security cameras in a shopping centre

C the provision of security staff at a bank

D the provision of ticket inspectors on a train

18 Which measure would indicate that an expansionary fiscal policy is being used by the government?

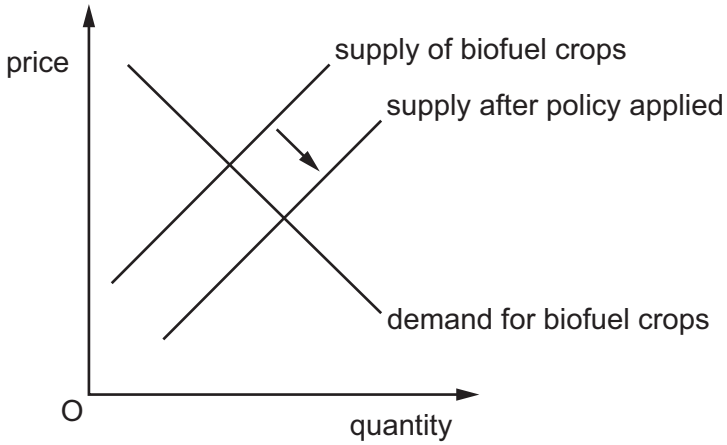
A cuts in government spending

B higher interest rates

C lower interest rates

D lower taxes

19 The diagram shows how a government policy influences the market for biofuel crops in the private sector.



According to the diagram, which policy does the government use and what effect does it have on the market?

	policy	effect
A	subsidy	increases supply
B	subsidy	lowers quantity demanded
C	tax	decreases demand
D	tax	increases supply costs

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20 Some governments in the European Union are trying to reduce unemployment.

What should increase to achieve this?

A imports of goods

B interest rates

C public sector spending

D taxation of firms

21 In 2016, Romania had an increase in its real gross domestic product of 4.8%.

What must this mean about the Romanian economy?

A Living standards increased by 4.8%.

B Total consumer income increased by 4.8%.

C Total output of all goods and services adjusted for inflation increased by 4.8%.

D Total output of manufactured goods adjusted for inflation increased by 4.8%.

22 An economy is experiencing rising prices.

Which government policy will help reduce consumer expenditure?

A introducing compulsory saving for income earners

B investing more in building infrastructure

C issuing more banknotes and coins

D reducing indirect taxes

23 Some goods take a greater percentage of a typical household's total spending than others.

How is this accounted for in the construction of a consumer prices index?

A by deducting the goods

B by giving a weight to the goods

C by taking an average of price fluctuations during a year

D by using the price elasticity of demand for the goods

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24 A low-income country experiences extreme poverty in its rural areas.

What is a possible cause of this?

A development of better irrigation techniques

B distribution of international food aid

C high trade barriers imposed by high-income countries

D higher prices for agricultural produce

25 Which factor in the world's low-income countries limits their economic development?

A balance of payments surpluses

B high saving ratios

C large inflows of foreign investment

D rapid population growth

26 The table shows the percentage employment in the primary, secondary and service sectors in four countries.

Which country is likely to be the **most** developed?

	percentage employment		
country	primary sector	secondary sector	service sector
A	10	35	55
B	20	60	20
C	35	35	30
D	40	40	20

27 A government is faced with an unwanted deficit on the current account of its balance of payments.

Which action is **most** likely to reduce the deficit?

A raising government spending on welfare benefits

B reducing income tax

C restricting imports by raising tariffs

D revaluing its currency

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28 What is meant by a depreciation in the foreign exchange rate?

A The government intervenes to reduce the exchange rate of the country's currency.

B The rate of exchange of exports for imports for a country deteriorates.

C The rate of inflation in a country continues to rise.

D The value of a country's currency falls on the international exchange market.

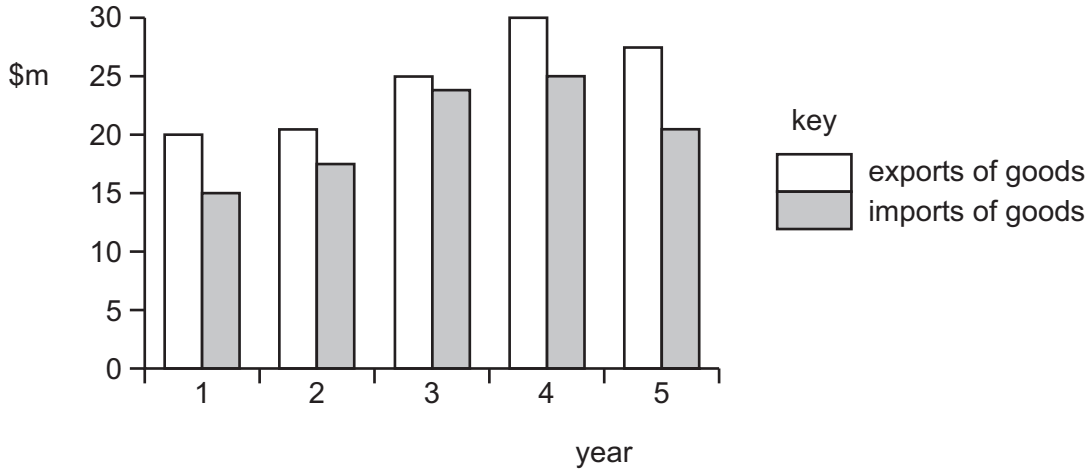
29 The table shows information from a country's current account of its balance of payments.

	$ billion
exports of goods	20
imports of goods	24
net services	+5
net primary income	–8
net secondary income	–8

What is the country's current account balance?

A +$1 billion **B** –$4 billion **C** –$7 billion **D** –$15 billion

30 The diagram shows the value of a country's exports and imports of goods over five years.



Between which two years did the country have an increase in the value of imports and an improvement in its balance of trade in goods?

A 1 and 2 **B** 2 and 3 **C** 3 and 4 **D** 4 and 5

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