Cambridge Assessment International Education

Cambridge IGCSE™

ECONOMICS **0455/11**

Paper 1 Multiple Choice **October/November 2021**

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.
- Any rough working should be done on this question paper.

IB21 11_0455_11/4RP
© UCLES 2021

[Turn over

1 To help reduce the price of oil, new supplies are needed. However, objectors oppose exploration of new sites because of the environmental damage it may cause.

Why is this statement an example of the basic economic problem?

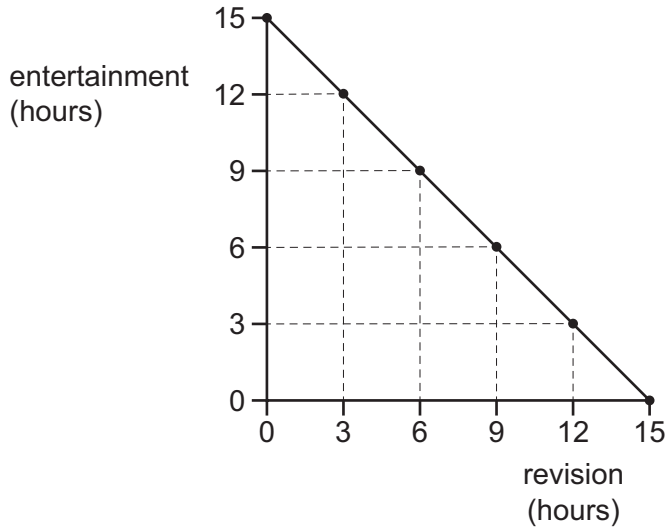
A Oil is a limited resource.

B Oil is expensive.

C The exploration involves demand and supply.

D There are external costs involved in production.

2 The production possibility curve (PPC) shows the hours per day a student has for either entertainment or revision.



The student revises for 3 hours a day. As exams approach, the student decides to revise for 9 hours a day.

What is the opportunity cost of this decision?

A 3 hours of revision

B 6 hours of entertainment

C 6 hours of revision

D 9 hours of entertainment

© UCLES 2021

3 Helium is a gas that is limited in supply because it takes thousands of years to form. The US government holds 35% of the world's supply of helium and has been selling its stocks. Helium is essential in medical scanners. It is also used for party balloons, which is a wasteful alternative use of a valuable good.

Which two concepts apply to this statement?

A demand and supply, government subsidy

B excess demand, resource allocation

C opportunity cost, private monopoly

D public sector, factors of production

4 When is production certain to harm society?

A when the private costs are greater than the private benefits

B when the production results in externalities

C when the social costs are greater than the private costs

D when the social costs are greater than the social benefits

5 What is the role of the price mechanism in a market economy?

A to allocate scarce resources

B to increase the provision of merit goods

C to make the distribution of goods and services more equal

D to reduce the negative externalities of production and consumption

6 What is a macroeconomic concept?

A the effect of a price change of a good

B the equilibrium price in the market for a good

C the reason for a change in a firm's behaviour

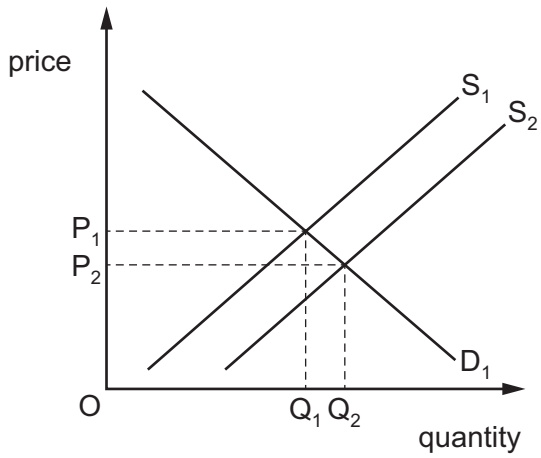
D the total spending in an economy

© UCLES 2021

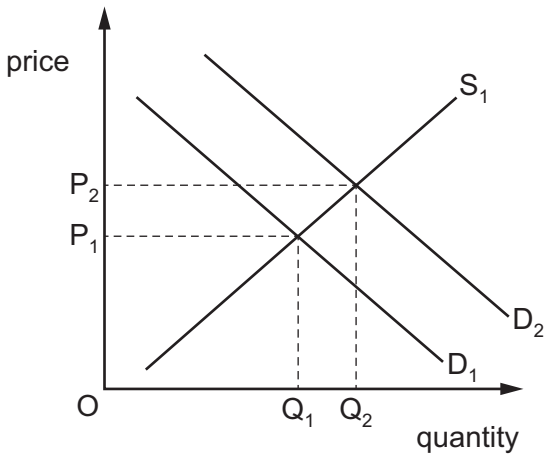
7 The diagrams show changes in the demand and supply curves for a good.

Which diagram shows the effect of a government providing a subsidy for the good?

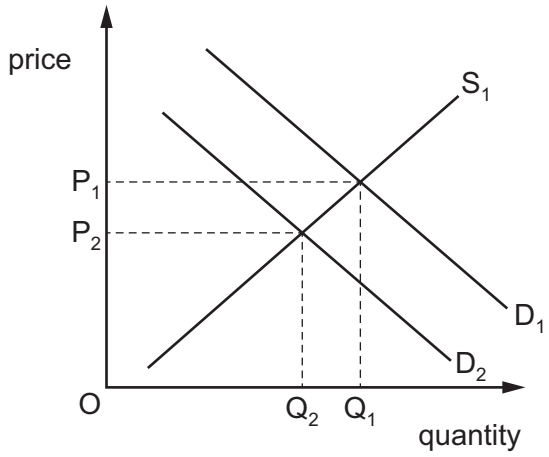
A



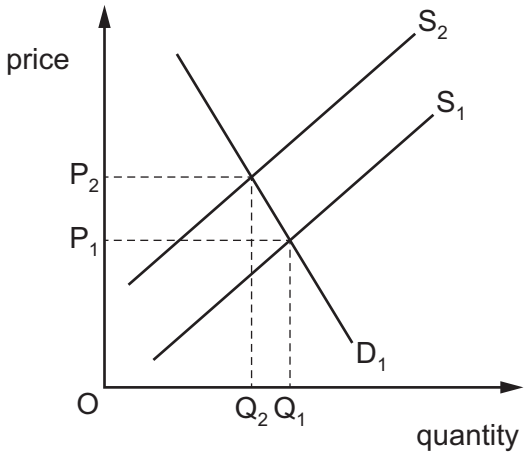
B



C



D



8 The price elasticity of demand (PED) for bottled water is –0.9.

What will happen to the quantity demanded for bottled water if its price increases by 10%?

A decrease by 0.9%

B decrease by 9%

C increase by 0.9%

D increase by 9%

9 What will increase the demand for labour in an industry?

A a decrease in labour productivity in that industry

B a decrease in the demand for the good made in that industry

C an increase in labour productivity in that industry

D an increase in wages in that industry

© UCLES 2021

10 Which government policies will both reduce the difference in income between low-paid and high-paid workers?

A a decrease in the maximum wage and a more regressive income tax system

B a decrease in the maximum wage and a reduction in trade union power

C an increase in the minimum wage and a more progressive income tax system

D an increase in the minimum wage and a more regressive income tax system

11 Wages for nurses decrease, while working hours for pilots decrease.

Assuming other factors do not change, what is the likely effect on the number of individuals choosing to become nurses or pilots?

	nurses	pilots
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

12 The table shows the average revenue of a firm at various levels of output.

output	average revenue ($)
1	10
2	8
3	6
4	4

What happens to total revenue as output rises?

A It falls and then rises.

B It falls continuously.

C It rises and then falls.

D It rises continuously.

13 For some months the price of petrol (gas) decreased significantly.

How would this affect a delivery firm that delivers goods for other firms using petrol (gas) powered vehicles?

A Average fixed costs would decrease.

B Profits would decrease.

C Total fixed costs would decrease.

D Variable costs would decrease.

14 The size of the domestic car industry in Japan has enabled Japanese car producers to be more price competitive than rival car producers.

What is an explanation for this?

A Economies of scale are present in the Japanese car industry.

B Managerial problems exist in the Japanese car industry.

C Productivity is low in Japan.

D The Japanese car industry is very labour-intensive.

15 What is a major advantage of a horizontal merger compared with a conglomerate merger?

A It causes more motivation of the workforce.

B It gains financial economies of scale with cheaper borrowing from banks.

C It leads to a diversification making the firm less vulnerable.

D It reduces competition and increases the merged firm's market share.

16 Recession is when there are two consecutive quarters (six months) of

A deflation.

B falling GDP.

C rising prices.

D rising unemployment.

17 An economy is operating with all resources fully employed.

Which would be an outcome of a significant increase in government expenditure?

A deflation

B demand-pull inflation

C falling output

D increased employment

© UCLES 2021

18 What causes economic growth?

A availability of more resources

B higher imports of consumer goods

C higher unemployment

D lower investment

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

	$m
air passenger duty	10
tax on firms' profits	100
import duty	75
income tax	200
inheritance tax	50
sales tax (VAT)	300

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

A $300 m **B** $350 m **C** $385 m **D** $435 m

20 Which statement about supply-side policy is correct?

A It aims to increase the productive potential of the economy.

B It aims to increase total demand in the economy.

C It involves changes in the equilibrium foreign exchange rate.

D It involves changes in the rate of interest.

21 Why is weighting used in the Consumer Prices Index (CPI)?

A to ensure that all items in the index are treated equally

B to ensure that all price changes are included in the index

C to ensure that the index includes changes in the quantity consumed

D to ensure that the index reflects the spending patterns of consumers

© UCLES 2021

Due to an issue with Question 22, the question has been removed from the question paper.

23 Which combination of policy measures is **most** likely to increase the level of employment?

A decrease general taxation and decrease the rate of interest

B decrease general taxation and increase the rate of interest

C increase general taxation and decrease the rate of interest

D increase general taxation and increase the rate of interest

24 What is a certain cause of absolute poverty?

A growing old

B insufficient income for basic needs

C lack of good healthcare

D many dependants in the family

25 The birth rate in a country is higher than the death rate.

What might prevent the country's population from rising?

A Emigration is greater than immigration.

B The birth rate is falling.

C The country's medical care improves.

D The death rate is rising.

© UCLES 2021

26 The table shows statistics for four countries, **A**–**D**.

Which country has the lowest standard of living?

	average annual growth rate of population (%)	population density (per square kilometre)	life expectancy (years)	real GDP per head ($)
A	1.9	19	46	190
B	2.7	2	58	1700
C	3.7	45	59	210
D	4.2	89	44	190

27 Why can specialisation cause economic growth?

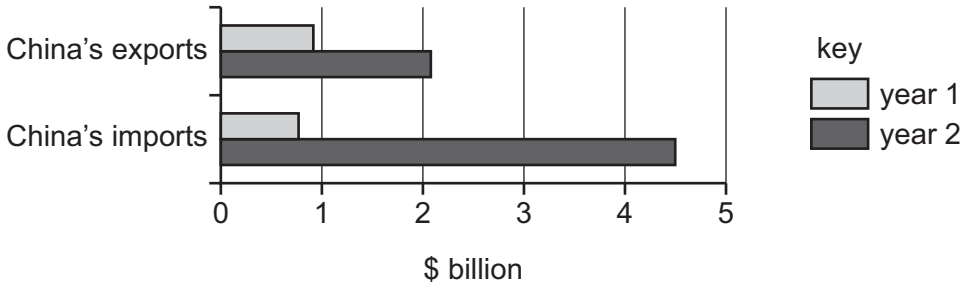
A Specialisation can allow a country to produce many different goods and services.

B Specialisation can lead to a reduction in average costs of production.

C Specialisation can mean that firms in a country will face diseconomies of scale.

D Specialisation can reduce a country's need to depend on other economies.

28 The diagram shows China's trade with Brazil for two years.



What happened to China's trade balance with Brazil between year 1 and year 2?

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.

29 Why do some governments limit the operations of multinational companies (MNCs) within their domestic economy?

A MNCs contribute to technological advances.

B MNCs decrease a country's unemployment rate.

C MNCs gain profits which are transferred out of the country.

D MNCs increase a country's current account surplus.

30 What is an immediate effect for a country of a fall in its foreign exchange rate?

A a fall in the money supply

B an increase in purchasing power

C cheaper imports

D more competitive exports

© UCLES 2021

BLANK PAGE

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge Assessment International Education is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which itself is a department of the University of Cambridge.

© UCLES 2021