Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

ECONOMICS **0455/11**

Paper 1 Multiple Choice **May/June 2019**

45 minutes

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

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 **9** printed pages and **3** blank pages.

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1 What would an economist regard as an example of the factor of production capital?

View solution

A an individual's purchase of stocks and shares

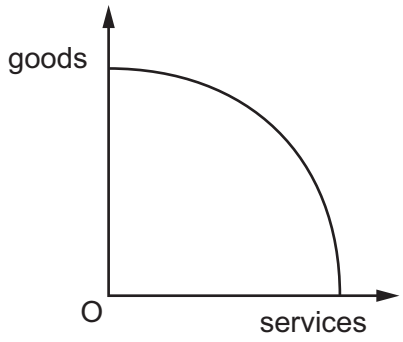
B borrowing by a firm to pay for electricity

C the building by a firm of a new factory

D total savings by individuals in a country

2 The diagram shows a production possibility curve (PPC).

View solution



Why is the curve usually drawn like this?

A International free trade exists.

B Opportunity cost changes.

C Resources are unlimited in supply.

D Some resources will be unemployed.

3 In recent years more golf courses, which use large quantities of water, have opened in China.

View solution

What may be the opportunity cost of this?

A cost of water

B loss of farmland

C sales of golf equipment

D wages of golf course staff

4 Which situation indicates a mixed economy?

View solution

A Economic activity is controlled entirely by the private sector.

B Individual choices are unaffected by government actions.

C Services are provided by both private and public sectors.

D The government carries out all planning and decision making.

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5 What causes market failure?

View solution

A government provision of services

B social costs equal private costs

C the existence of external benefits

D the existence of perfect competition

6 A newspaper reported that 'The world market for coffee has returned to equilibrium'.

View solution

Which situation supports this statement?

A A sequence of poor harvests resulted in shortages.

B Decreased transport costs led to a surplus of supply.

C Farmers matched demand by planting more coffee bushes.

D The price of coffee was fixed between producers.

7 The table shows the demand schedule for a good at different prices.

View solution

price $	quantity demanded
8	200
10	160
12	120
14	60

The current market price for the good is $10.

Following a 20% increase in price, what will be the change in the quantity demanded?

A −60 **B** −40 **C** +120 **D** +200

8 Carlos has been offered a new job with a large multinational company. He is undecided whether to accept the position.

View solution

What is a non-wage factor he might consider?

A bonus payments

B holiday entitlement

C overtime rate

D salary level

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9 Unlike the UK and US, a significant proportion of the shares on the stock exchanges of China and Russia are of state-owned enterprises.

View solution

Which judgement about China and Russia can be made from this information?

A their distribution of income and wealth

B their level of development

C their stages of production

D their type of economic system

10 What is the **most** important factor that affects how much a family saves?

View solution

A the income of the family

B the level of taxation

C the rate of inflation

D the reliability of banks

11 The table shows the change in real incomes for a number of occupations between 1985 and 2015.

View solution

occupation	change in real income %
doctors	153
lawyers	114
accountants	60
bricklayers	37
bus and coach drivers	19
fork-lift truck drivers	–5

What can be concluded from the table?

A All occupations were better off in 2015 than in 1985.

B Fork-lift truck drivers earned the lowest wages in 2015.

C Doctors have earned more than lawyers since 1985.

D Professionals received higher percentage increases in income than manual workers.

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12 A large bakery buys a flour mill.

View solution

Which form of integration is this?

A conglomerate

B horizontal

C vertical backwards

D vertical forwards

13 Why is the energy supply industry dominated by very large firms in many economies?

View solution

A Government controls prevent the exploitation of consumers.

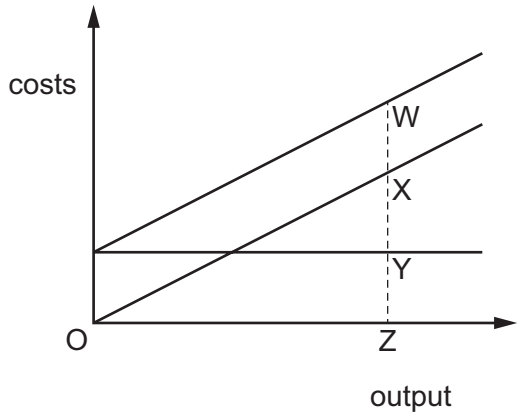
B High fixed capital costs exist.

C Labour-intensive production techniques are used.

D Non-price advertising increases competition.

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

View solution



Which distance represents the firm's fixed costs?

A WX **B** WY **C** XY **D** XZ

15 An entrepreneur buys a workshop for $200 000 to make plastic boxes. In the first year of operation he spends $70 000 on materials, employs ten production workers paid by the amount produced (piece rate) at a total cost of $80 000 and buys two delivery vehicles for $10 000 each.

What are his total variable costs?

View solution

A $100 000 **B** $150 000 **C** $220 000 **D** $370 000

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16 A government increases the rate of income tax in order to pay for extra transfer payments, including cash benefits to the poor.

View solution

What must occur as a result of this?

A It changes the distribution of income.

B It ensures the equality of incomes.

C It leads to more people paying income taxes.

D It reduces the level of unemployment.

17 The standard rate for Value Added Tax (sales tax) is 20% in a country. Different consumers buying the same product have to pay the same amount of tax.

View solution

What kind of tax is this?

A direct

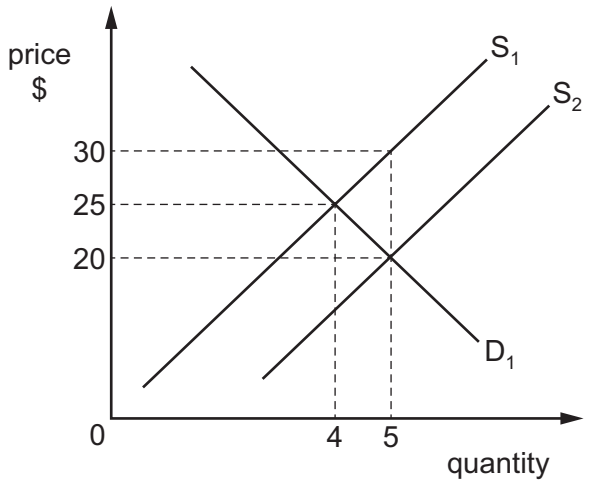
B progressive

C proportional

D regressive

18 The diagram shows the demand curve D_1 and supply curve S_1 for a good. The government introduces a subsidy to encourage production.

View solution



What will be the total cost of the subsidy to the government?

A $40 **B** $50 **C** $100 **D** $150

19 Which statement about interest rate changes is accurate?

View solution

A A fall in interest rates will always increase inflation.

B A rise in interest rates may increase cost-push inflation.

C A rise in interest rates will raise the level of investment in a country.

D Interest rate changes have no impact on the level of production.

20 In Uganda, the rate of inflation fell from 5% in 2014 to 2% in 2015.

View solution

Which conclusion can be drawn from this information?

A Prices were higher in 2015 than in 2014.

B The cost of living fell between 2014 and 2015.

C The standard of living fell between 2014 and 2015.

D Ugandan citizens were better off in 2015 than 2014.

21 What would **not** increase the Human Development Index (HDI) of a country?

View solution

A an increase in the level of car ownership

B an increase in life expectancy at birth

C a rise in the GDP per head

D a rise in the number of years of schooling

22 A country is experiencing a period of full employment.

View solution

What is **most** likely to lead to an increase in demand-pull inflation?

A an increase in government spending

B an increase in imports

C an increase in income tax rates

D an increase in sales tax

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23 The table shows the percentage change from 2015–2016 in gross domestic product (GDP) and consumer prices for selected countries.

View solution

Which country was suffering from economic recession and inflation?

	country	GDP	consumer prices
A	Australia	+1.8	+1.3
B	Brazil	–2.9	+8.3
C	China	+6.7	+2.0
D	Japan	+1.1	–0.2

24 Which policy is **most** likely to reduce relative poverty?

View solution

A make income tax rates less progressive

B reduce benefit payments

C reduce the minimum wage

D reduce the rate of sales tax

25 Given the following information, which country is most likely to have the highest standard of living?

View solution

		birth rate	death rate	life expectancy	infant mortality rate
A	Bangladesh	27	10	58	93
B	Bhutan	36	14	53	107
C	Botswana	31	21	40	57
D	Brunei	25	5	72	22

26 In a country the birth rate increased but the population decreased.

View solution

What could have happened to other factors to cause this?

A a fall in infant mortality but no change in the death rate

B a rise in net immigration but no change in the death rate

C no change in migration but the death rate rose

D the death rate fell with no change in migration

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27 The US government decides to reduce the size of the quota on a good it buys from China.

View solution

What is likely to happen?

A The good will become cheaper in the US.

B The US balance of trade will worsen.

C The US government's revenue will decline.

D There will be less of the good imported into the US.

28 What is the most accurate definition of a foreign exchange rate?

View solution

A a rate at which exports are exchanged for imports

B a rate determined by the demand and supply of the currency

C a value of a currency as fixed by the government

D a value of a currency expressed in terms of another currency

29 In 2013, the European Union (EU) levied a 48% tariff on low-priced Chinese solar panels because the low price was the result of subsidies from the Chinese government.

View solution

Which argument for protectionism was the EU using?

A the anti-dumping argument

B the infant industry argument

C the strategic industry argument

D the sunset industry argument

30 A large amount of the agricultural products in a country were damaged by floods.

View solution

What is likely to have happened to the price of agricultural products and the volume of imports of agricultural products?

	price of products	volume of imports
A	fall	fall
B	fall	rise
C	rise	fall
D	rise	rise

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