Cambridge Assessment International Education

# Cambridge IGCSE™

**ECONOMICS** **0455/11**

Paper 1 Multiple Choice **May/June 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.

This document has **12** pages. Any blank pages are indicated.


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**1** Which statement about the factors of production is correct?

View solution

**A** Capital is a financial resource and includes savings in banks.

**B** Enterprise is limited in supply and includes office workers.

**C** Labour is a human resource and includes pensioners and children.

**D** Land is a natural resource and includes trees and fish.

**2** A builder spends one hour travelling to and from work. He works 40 hours per week for $200. He is given a choice to work 50 hours a week for an extra $75.

View solution

What would be the opportunity cost to the builder of working the extra hours?

**A** the ability to increase his purchasing power

**B** the additional time travelling to and from work

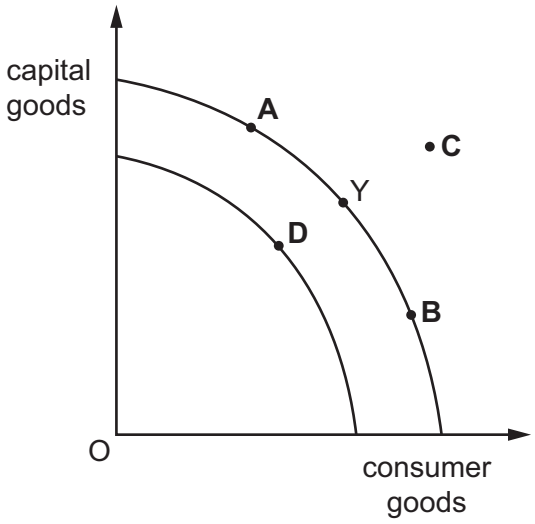
**C** the increased hourly earnings of $7.50

**D** the ten hours of leisure time

**3** A country's infrastructure was damaged by a natural disaster. Before the disaster, the country was producing at point Y on the production possibility curve (PPC).

View solution

Which point represents the country's production immediately after the disaster?




**4** What is included in microeconomics?

View solution

**A** the calculation of national income and expenditure

**B** the effects of a change in exchange rates on the trade balance of an economy

**C** the effects of an increase in the price of a good or service

**D** the factors leading to demand-pull inflation

**5** What is an economist's definition of a market?

View solution

**A** a collection of informal retail outlets run by small firms

**B** a place where traders gather regularly for short periods

**C** a system that enables individuals and firms to buy and sell goods

**D** the existence of consumer demand for a good

**6** What is an example of an external benefit from an individual cycling, rather than driving, to work?

View solution

**A** higher cost of building cycle lanes

**B** improved physical fitness to the individual from cycling

**C** lower cost of cycling compared with driving to work

**D** reduced congestion for other road users

**7** A tailor has four customers for her range of suits. The table shows the yearly demand for the suits she makes.

View solution

| demand for suits | | | | |
|---|---|---|---|---|
| suit price ($) | customer R | customer S | customer T | customer U |
| 800 | 4 | 1 | 2 | 2 |
| 900 | 4 | 0 | 1 | 2 |
| 1000 | 3 | 0 | 1 | 1 |
| 1100 | 2 | 0 | 0 | 1 |

Which price should be charged to maximise the tailor's yearly revenue?

**A** $800 **B** $900 **C** $1000 **D** $1100

**8** In response to an increase in price from $5 per kilo to $6 per kilo, a farmer increased supply from 400 kilos to 500 kilos per week.

View solution

What is the price elasticity of supply?

**A** 0.8 **B** 0.9 **C** 1.2 **D** 1.25

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**9** It is expected that consumers will use less paper money.

View solution

What is the **most** likely reason for this?

**A** Inflation reduces the value of paper money.

**B** More ways of making payments will be available.

**C** Other forms of money are more durable.

**D** Paper money will have less intrinsic value.

**10** In low-income countries, fewer girls than boys become skilled design engineers.

View solution

What might explain this situation?

**A** Girls are only interested in low-wage jobs.

**B** Girls do not favour heavy manual work.

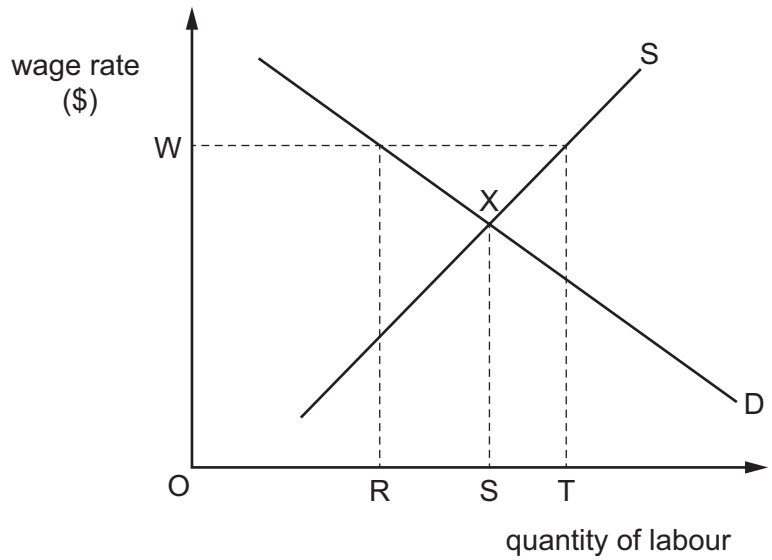
**C** Girls have fewer opportunities to complete higher education.

**D** It costs more for girls to be trained as design engineers.

**11** The diagram shows the demand for and supply of labour in an industry. The original equilibrium is X.

View solution

A trade union then negotiates a wage rate of W.




What identifies the change in employment?

**A** OR **B** OT **C** RS **D** RT

**12** A company mining cobalt, invests in machinery to replace some workers. Eventually diseconomies of scale occur.

View solution

What could cause this situation?

**A** As more cobalt is mined average costs increase.

**B** Fewer workers are needed to produce the required output.

**C** Output per hour increases as more machinery is used.

**D** Overhead costs are spread as output increases.

View solution

**13** Why are many hairdressers able to operate as small businesses?

**A** high level of competition

**B** high scope for economies of scale

**C** long period of training required

**D** low start-up and running costs

**14** Dimitry owns a firm that produces and sells bottles of lemonade. He only sells one size of bottle.

View solution

How would Dimitry calculate the total revenue of the firm?

**A** multiply the quantity sold by the cost per bottle

**B** multiply the quantity sold by the price per bottle

**C** multiply the quantity sold by the profit per bottle

**D** multiply the quantity sold by the tax per bottle

View solution

**15** Which market is likely to be the most competitive?

| | barriers to entry | number of sellers |
|---|---|---|
| **A** | high | few |
| **B** | high | many |
| **C** | low | few |
| **D** | low | many |

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**16** An economy has a high rate of inflation. In response to this, its government increases income tax.

What is the **most** likely reason for this increase?

View solution

**A** to discourage the consumption of harmful goods

**B** to raise money for government spending

**C** to redistribute income

**D** to reduce total demand

**17** Interest rates are sometimes raised to control inflation.

View solution

Why might this policy be effective?

**A** Consumers may save more.

**B** Government spending may increase.

**C** Investment may be encouraged.

**D** The exchange rate may fall.

**18** A government's revenue grew 8% to $3.25 trillion. Its expenditure was reduced to $3.69 trillion.

View solution

What can be concluded from this?

| | state of budget | government policy aim |
|---|---|---|
| **A** | deficit | increase deficit |
| **B** | deficit | reduce deficit |
| **C** | surplus | increase surplus |
| **D** | surplus | reduce surplus |

**19** A country's inflation rate, measured by the Consumer Prices Index (CPI), was 3% in year 1. Three years later it was 0.8%.

View solution

What can be concluded from this information?

**A** Prices are falling.

**B** The rate of price increases is falling.

**C** The real rate of interest is negative.

**D** There is increased purchasing power for those on fixed incomes.

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**20** What will deflation **most** likely lead to?

View solution

**A** a fall in the real value of debts

**B** an increase in the exchange rate

**C** an increase in the rate of interest

**D** an increase in the real purchasing power of money

**21** Economic growth can be defined as

View solution

**A** a reduction in a country's rate of inflation.

**B** an increase in a country's exports.

**C** an increase in a country's population.

**D** an increase in a country's productive capacity.

**22** The table compares the distribution of employment in selected industries in two years.

View solution

| industry | employment in millions | |
|---|---|---|
| | year 1 | year 2 |
| agriculture | 4 | 3 |
| mining | 2 | 2 |
| manufacturing | 6 | 6 |
| retailing | 4 | 4 |
| transport | 4 | 5 |
| total | 20 | 20 |

How did the distribution of employment change between year 1 and year 2?

| | primary sector | secondary sector |
|---|---|---|
| **A** | fell | rose |
| **B** | fell | unchanged |
| **C** | rose | fell |
| **D** | rose | unchanged |

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**23** In a year, two changes occurred in a company.

View solution

Company directors' salaries increased by 15%.

Office workers' wages increased by 5%.

The rate of inflation was 3.4%.

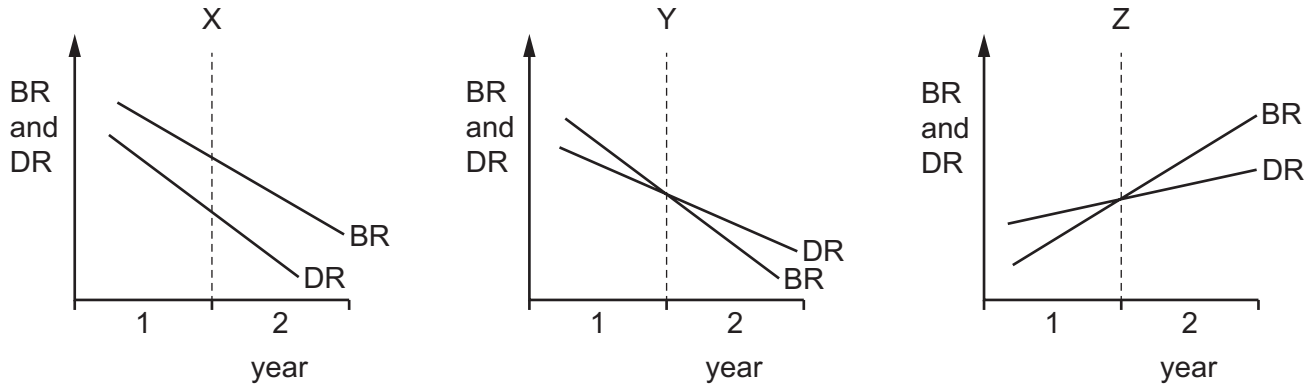
What happened to real income?

| | company directors' real income | office workers' real income |
|---|---|---|
| **A** | fell | fell |
| **B** | fell | rose |
| **C** | rose | fell |
| **D** | rose | rose |

**24** The diagrams show birth rate (BR) and death rate (DR) in three countries, X, Y and Z, in two years, 1 and 2.

View solution

There was no migration.




Where was there a rise in population in year 1 and a fall in population in year 2?

**A** X and Z **B** X only **C** Y and Z **D** Y only

**25** The richest 60% of the population of a high-income economy received an increase in income. The income of the rest of the population did not change.

View solution

What happened to absolute and relative poverty?

| | absolute poverty | relative poverty |
|---|---|---|
| **A** | increased | increased |
| **B** | increased | remained constant |
| **C** | remained constant | increased |
| **D** | remained constant | remained constant |

**26** Gross Domestic Product (GDP) is a better measure of comparative living standards when it is adjusted for the effects of

View solution

**A** exports and inflation.

**B** imports and exports.

**C** population change and exports.

**D** population change and inflation.

**27** What is a disadvantage of increasing international specialisation?

View solution

**A** Consumers pay higher prices for goods and services reducing their welfare.

**B** Domestic firms may be uncompetitive leading to structural unemployment.

**C** Domestic firms may experience rising costs as they pay more for imports.

**D** Resources may be used less efficiently as domestic firms face less competition.

**28** Which method of protection always reduces the supply of an imported good to zero?

View solution

**A** embargo

**B** quota

**C** subsidy

**D** tariff

**29** A US car dealer agrees an import price of US$25 000 for a Japanese car at the current rate of exchange.

View solution

The US dollar then strengthens by 10% against the Japanese yen.

What will be the new import price paid for the Japanese car?

**A** US$20 000 **B** US$22 500 **C** US$25 000 **D** US$27 500

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**30** A country has a deficit on its current account of its balance of payments.

View solution

What could increase the size of its deficit?

**A** increased exports of its services

**B** increased international competitiveness of its goods

**C** increased numbers of visitors from abroad

**D** increased spending on its military bases abroad

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