**Cambridge International Examinations**
Cambridge International General Certificate of Secondary Education

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

Paper 1 Multiple Choice **October/November 2017**

**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 **10** printed pages and **2** blank pages.

© UCLES 2017

CAMBRIDGE International Examinations

**1** An oil company announced in 2015 that it was starting its drilling operations for oil deposits in the Arctic Ocean.

View solution

What will be the effect of this?

**A** to increase the supply of raw materials

**B** to reduce the level of technology available

**C** to solve the economic problem

**D** to worsen resource allocation

**2** A self-employed fortune teller earns a living by reading the palms of people's hands.

View solution

Which factors of production are essential to this activity?

**A** capital and enterprise

**B** enterprise and labour

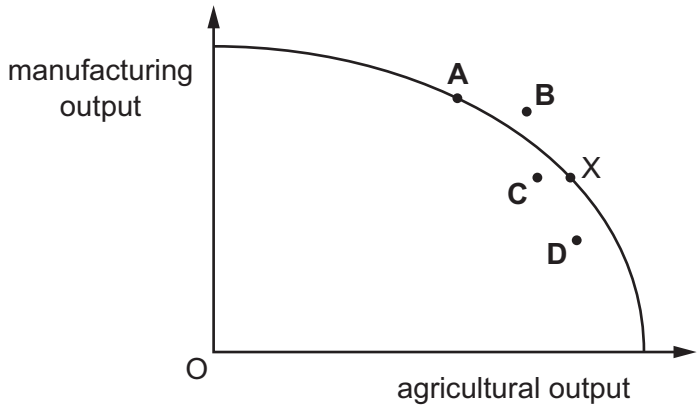
**C** labour and land

**D** land and capital

**3** A country is operating at point X on its production possibility curve (PPC). A drought significantly reduces agricultural output.

View solution

Which point represents the new position?




**4** A government needs to decide how much to fine firms for causing the external costs of air pollution in industrial areas.

View solution

Which external cost would be the most difficult to measure in monetary terms?

**A** the discomfort associated with breathing

**B** the expenditure on additional healthcare

**C** the loss of earnings due to illness

**D** the medical research into respiratory disease

© UCLES 2017

**5** What is an example of market failure?

View solution

**A** city centre congestion

**B** low economic growth

**C** rising prices

**D** trade deficits

**6** The table illustrates the demand and supply for coffee in a market in Africa.

View solution

| price per kg ($) | quantity demanded (kg) | quantity supplied (kg) |
|---|---|---|
| 10 | 50 | 10 |
| 20 | 40 | 20 |
| 30 | 30 | 30 |
| 40 | 20 | 40 |
| 50 | 10 | 50 |

When the price rises from $20 to $30 per kg, what is the price elasticity of demand for coffee?

**A** 0.2 **B** 0.5 **C** 2.0 **D** 5.0

**7** Between 2005 and 2015 the number of late-night music clubs in the UK fell from 3144 to 1733. The causes were said to be the increase in the cost to clubs of planning regulations and the increase in alternative ways of meeting people on social media.

How would the effect of these causes be shown on a demand and supply diagram for entrance to late-night music clubs?

View solution

| | planning regulations | increase in dating websites |
|---|---|---|
| **A** | movement down the supply curve | shift of demand curve to left |
| **B** | movement up the supply curve | movement up the demand curve |
| **C** | shift of supply curve to left | shift of demand curve to left |
| **D** | shift of supply curve to right | shift of demand curve to right |

© UCLES 2017

**8** A job offers employees piecework, commission, paid holidays and a company pension.

View solution

Which are non-wage factors?

**A** commission and company pension

**B** company pension and paid holidays

**C** paid holidays and piecework

**D** piecework and commission

**9** When will a trade union be most likely to succeed in achieving the aims of its members?

View solution

**A** when firms are trying to cut costs of production

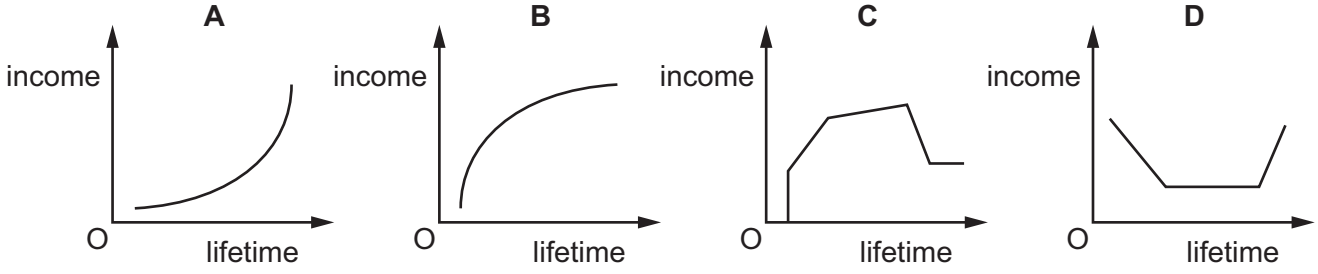
**B** when the rate of unemployment in the country is high

**C** when trade union membership in the industry is compulsory

**D** when workers are unskilled

**10** The typical pattern of income over a person's whole lifetime is shown by which diagram?

View solution




**11** When choosing an occupation people often consider things other than the wage-rate.

View solution

What would **not** be a good match for the type of work that is desired?

| | desired aspect | occupation |
|---|---|---|
| **A** | detailed work; career structure | lawyer |
| **B** | outdoor lifestyle; regular hours | farmer |
| **C** | part-time hours; work with people | supermarket assistant |
| **D** | technical knowledge; responsibility | telephone engineer |

**12** Which is an internal diseconomy of scale?

View solution

**A** a lack of communication in a firm

**B** a reduction of cost by buying in bulk

**C** a shortage of skilled labour in an area

**D** traffic congestion in a particular area

© UCLES 2017

**13** What is **not** likely in an industry with many small firms?

View solution

**A** high capital costs

**B** high level of competition

**C** low barriers to entry

**D** low research expenditure

**14** A major computer company announced that its profits had fallen below the level predicted.

View solution

What might have caused this?

**A** increased advertising costs that greatly improved sales

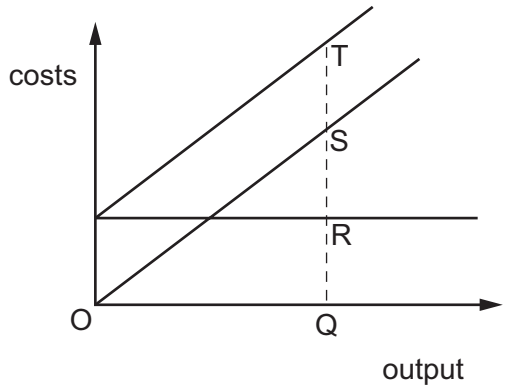
**B** low prices that made the company's product competitive

**C** new technology that reduced costs

**D** reduced sales and low prices

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

View solution




At output Q, which distance represents the firm's variable cost?

**A** QR **B** QT **C** RT **D** ST

**16** What, when increased, will help a government to reduce the rate of inflation?

View solution

**A** budget deficit

**B** consumer spending

**C** income tax

**D** pensions

**17** An economy has a deficit on its balance of trade in manufactured goods.

View solution

Which government policy will reduce this deficit?

**A** a decrease in subsidies paid to local manufacturers

**B** an increase in interest rates

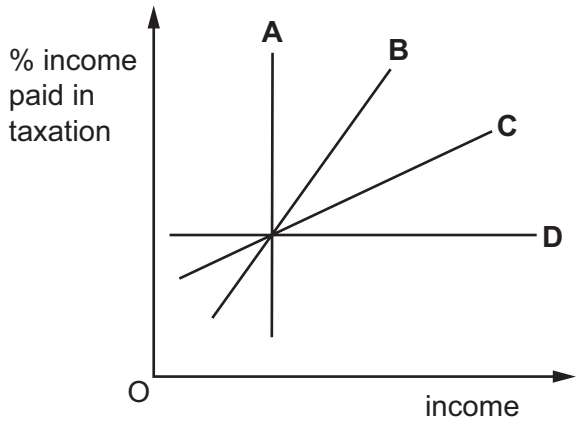
**C** an increase in sales tax on locally manufactured goods

**D** an introduction of import duties on manufactured goods

**18** The graph shows the percentage of income paid in taxation.

View solution

Which line represents a proportional tax?




**19** What is most likely to decrease when employment increases?

View solution

**A** economic growth

**B** government welfare payments

**C** the price level

**D** the standard of living

**20** Why is the Human Development Index (HDI) often considered to be better than Gross Domestic Product (GDP) per head as a measure of living standards?

View solution

**A** GDP per head excludes economic growth.

**B** GDP per head ignores population growth.

**C** HDI includes more than the production of goods and services.

**D** HDI is calculated by the national government.

© UCLES 2017

**21** An economy is predicted to grow at a rate of 3% during the next year.

View solution

What is most likely to cause this growth?

**A** an increase in expenditure

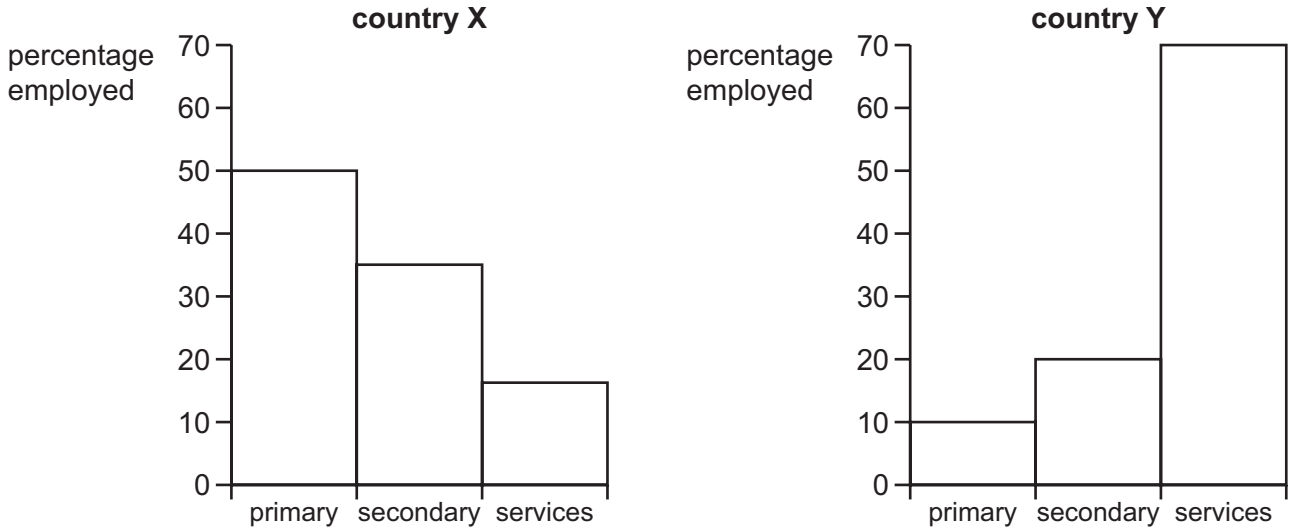
**B** an increase in interest rates

**C** an increase in sales (goods and services) tax

**D** an increase in the government's budget surplus

**22** The diagrams show percentage employment in different sectors in two countries.

View solution




Which statement is correct when comparing country X and country Y?

**A** Country X employs more workers in secondary industry than country Y.

**B** Country X produces more primary output than country Y.

**C** Country Y is more developed than country X.

**D** Country Y produces more secondary output than country X.

**23** Which policy aims to maintain low inflation over a period of time?

View solution

**A** imposing a minimum wage to be paid to workers

**B** reducing interest rates to encourage borrowing

**C** restricting the supply of money through the central bank

**D** writing off the debts of low-income countries

© UCLES 2017

**24** What most accurately measures the international purchasing power of a currency?

View solution

**A** the balance of payments

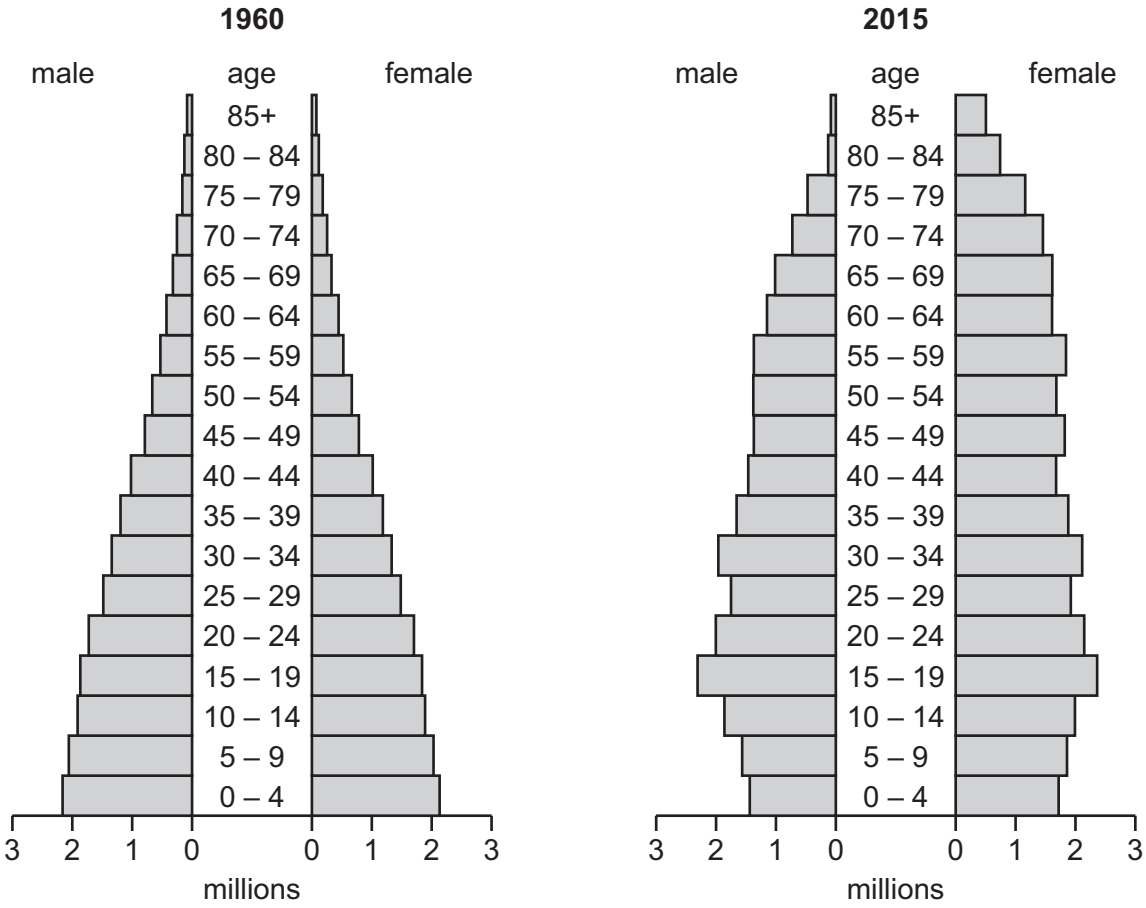
**B** the exchange rate

**C** the gross domestic product

**D** the rate of inflation

**25** The charts show the population structure of a country in 1960 and 2015.

View solution




What **decreased** between 1960 and 2015?

**A** average age

**B** number of people below 15

**C** number of people over 60

**D** total population

**26** The table gives information about four countries.

View solution

Which country is likely to be most developed?

| | life expectancy | GDP per head (US$) | % of labour force in agriculture |
|---|---|---|---|
| **A** | 52 | 450 | 50 |
| **B** | 54 | 490 | 40 |
| **C** | 60 | 550 | 15 |
| **D** | 60 | 500 | 25 |

**27** What is a benefit of tariffs?

View solution

**A** increased choice

**B** increased government revenue

**C** more competition

**D** more trade

**28** What is a country said to have if the value of its exported goods exceeds the value of its imported goods?

View solution

**A** a surplus on its balance of payments

**B** a surplus on its balance of trade

**C** a surplus on its capital account

**D** a surplus on its current account

**29** An Argentine product initially sells in the US for $50 when the exchange rate between the two countries is 5 pesos to 1 dollar

The exchange rate changes to 10 pesos to 1 dollar and the price of the product remains unchanged in Argentina.

View solution

What will be the new price of the product in the US?

**A** $5 **B** $25 **C** $100 **D** $500

**30** The UK wants to increase exports to the US.

View solution

What action will achieve this?

**A** borrowing US dollars from international banks

**B** devaluing UK pounds against the US dollar

**C** placing a quota on imports from the US

**D** selling US dollars to buy UK pounds

© UCLES 2017

**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 International Examinations Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cie.org.uk after the live examination series.

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