Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ECONOMICS **0455/11**

Paper 1 Multiple Choice **October/November 2018**

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.

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International Examinations

1 Which factor of production involves risk-taking?

View solution

A capital

B enterprise

C labour

D land

2 What is the basic problem facing all economies?

View solution

A how to achieve a stable balance of payments

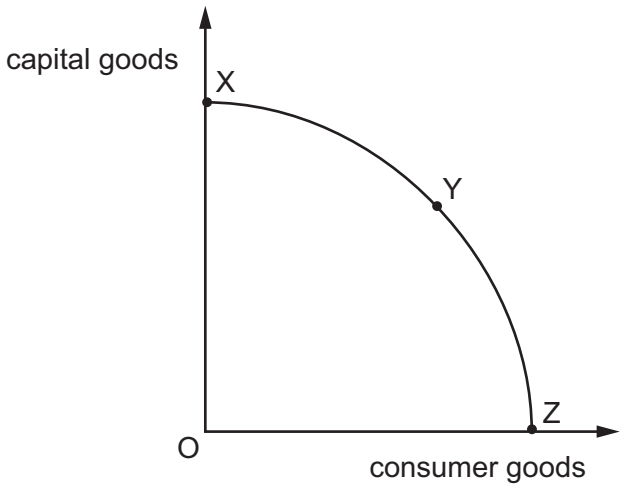
B how to maximise tax revenues

C how to reach full employment

D how to use scarce resources

3 The diagram shows the production possibility curve (PPC) for an economy.

View solution



What will happen to the opportunity cost of producing more units of consumer goods in terms of capital goods as the economy moves down its PPC from point X to point Z?

A It will decrease continuously from point X to point Z.

B It will decrease up to point Y and then increase towards point Z.

C It will increase continuously from point X to point Z.

D It will increase up to point Y and then decrease towards point Z.

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4 An economy operates entirely as a market system.

View solution

Which type of service would **not** be provided in such an economy?

A commercial banking services

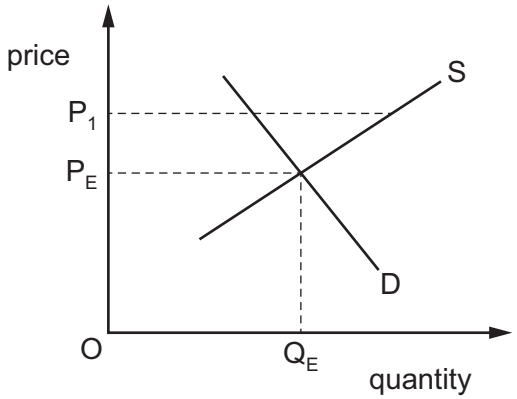
B free government health services

C private educational services

D profitable retail services

5 The diagram shows the equilibrium market price P_E and quantity Q_E for rice in a country.

View solution



Which government action could cause the market price for rice to become P_1?

A encouraging the export of rice from the country

B imposing a maximum price below the market price for rice

C providing a subsidy to farmers to produce more rice

D reducing import tariffs on rice

6 A major highway has been built at a cost of US$175 million between Nairobi, Kenya and its suburbs. This reduces travel time and increases safety, but there are environmental problems for small enterprises along its route.

View solution

Who bears the external costs of this project?

A the authorities who paid for the highway

B the commuters who travel to work in Nairobi

C the construction companies that built the highway

D the small enterprises along the route

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7 The table shows the demand and supply for spices in a market in Africa.

View solution

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

When the price rises from US$20 to US$30 per kg, what is the price elasticity of demand (PED) for spices?

A 0.25 **B** 0.5 **C** 1.0 **D** 2.0

8 What is a function of a central bank?

View solution

A collecting taxes

B issuing currency

C providing bank accounts for individuals

D setting foreign trade tariffs

9 What is **most** likely to increase the total output of a firm in the short run?

View solution

A a rise in the length of the working day

B a rise in the number of days holiday

C a rise in the school leaving age

D a rise in unemployment payments

10 What will make it harder for a trade union to increase the wage rate for its members, without reducing employment?

View solution

A a switch from short-term to long-term fixed contracts of employment

B an increase in the number of substitutes for the product

C growth in an economy and increased demand for labour

D lower price elasticity of demand for the product

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11 What is likely to assist a government's policy of reducing inflation?

View solution

A allowing businesses to borrow money for longer periods

B encouraging the public to spend more money

C increasing lending to members of the public

D raising the interest rate on credit card borrowing

12 Which international market is closest to the model of perfect competition?

View solution

A diamonds

B foreign currency

C petrol (fuel)

D washing machines

13 Which form of production would be **least** likely to have the advantages of economies of scale?

View solution

A car manufacturing

B commercial cereal farming

C handmade jewellery

D refining of oil products

14 The table shows a firm's average revenue and average cost at different levels of output.

View solution

When all output is sold, which level of output gives maximum profit?

	output (units)	average revenue (US$)	average cost (US$)
A	5	10	30
B	10	20	20
C	15	25	15
D	20	30	18

15 Which statement about total fixed cost is correct?

View solution

A It falls as output increases.

B It is calculated by adding total cost and total variable cost.

C It is calculated by dividing total cost by output.

D It must be paid even if output is zero.

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16 What is a disadvantage of direct taxes?

View solution

A They can be a disincentive to work.

B They can be based on people's ability to pay.

C They can be a major source of tax revenue.

D They can be progressive.

17 When is a government said to balance its budget?

View solution

A when all goods and services are taxed equally

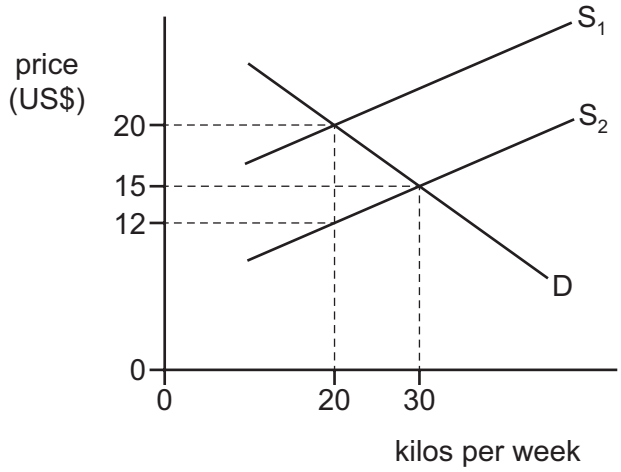
B when economic growth is the same in all regions of the economy

C when its total income equals its total expenditure

D when total exports equal total imports

18 In the diagram, which level of subsidy per kilo would a government have to give to producers to encourage them to increase production from 20 kilos per week to 30 kilos per week?

View solution



A US$3 per kilo

B US$5 per kilo

C US$8 per kilo

D US$15 per kilo

19 In which case is success for the government in achieving the first aim likely to cause problems in achieving the second?

View solution

	first aim	second aim
A	full employment	price stability
B	high economic growth	full employment
C	price stability	stable balance of payments
D	stable balance of payments	more even distribution of income

20 An increase in which economic indicator is usually taken as the measure of a country's economic growth?

View solution

A the balance of payments surplus

B the foreign exchange rate

C the government budget surplus

D the gross domestic product

21 What is used to measure inflation?

View solution

A the consumer prices index (CPI)

B the exchange rate

C the gross domestic product (GDP)

D the index of workers' wages

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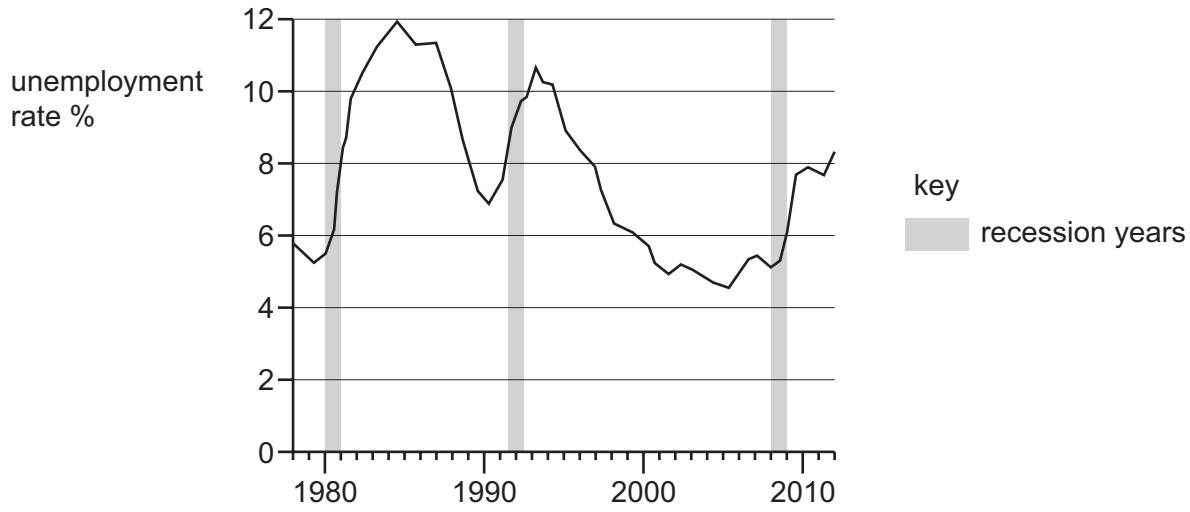
22 The diagram shows the rate of unemployment and the periods of recession in a country between 1978 and 2012.

View solution



What can be concluded from the diagram?

A Each recession lasted for more than two years.

B Recessions occurred at regular intervals.

C The unemployment rate peaked in a recession period.

D The unemployment rate rose during recession periods.

23 A country experienced its usual August increase in the rate of unemployment. Unfortunately this was followed by the loss of jobs resulting from the regular downturn in global economic activity.

View solution

Which types of unemployment occurred?

	first type of unemployment (August)	second type of unemployment (global downturn)
A	cyclical	structural
B	frictional	seasonal
C	seasonal	cyclical
D	structural	frictional

24 Iran has recently experienced a natural increase in population.

View solution

What is the **most** likely cause of this increase?

A Emigration exceeded immigration.

B Immigration exceeded emigration.

C The birth rate exceeded the death rate.

D The death rate exceeded the birth rate.

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25 The table shows some economic indicators.

View solution

Which combination of indicators is most likely to represent a developed country?

	size of primary sector (% of GDP)	birth rate (births per 1000)	literacy rate (% of population)
A	3	10	98
B	3	22	65
C	27	32	56
D	33	35	70

26 Developing countries are sometimes given aid by charities and foreign governments.

View solution

Which aid programme would be **least** likely to lead to long-term economic growth?

A the building of an irrigation system

B the construction of a new airport

C the distribution of gifts of food

D the training of technical staff

27 What is a valid economic argument in favour of trade protection?

View solution

A It allows greater consumer choice.

B It encourages trade liberalisation.

C It helps support infant industries.

D It keeps prices lower.

28 What is **most** likely to happen if South Korea builds a factory in Switzerland that becomes profitable?

View solution

A South Korea's imports of goods will decrease.

B South Korea's investment income will increase.

C Switzerland's trade balance in goods will worsen.

D Switzerland's trade balance in services will improve.

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29 Which government policy is **most** likely to improve a country's balance of trade?

View solution

A a decrease in direct taxation

B a decrease in the exchange rate

C a decrease in the level of tariffs

D an increase in government expenditure

30 The table shows the tariffs imposed on imported tropical fruit in the European Union (EU) according to the degree of processing.

View solution

	EU tariffs (% rate)
fresh tropical fruit	8.0
canned tropical fruit	11.3
bottled tropical fruit drinks	23.6

What might be the reason for this pattern of tariffs?

A to encourage imports of processed products into the EU

B to encourage tropical countries' exports

C to help manufacturing industries in the EU

D to help tropical countries develop manufacturing industries

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