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.

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

IB21 11_0455_11/4RP
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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.

View solution

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

A Oil is a limited resource.

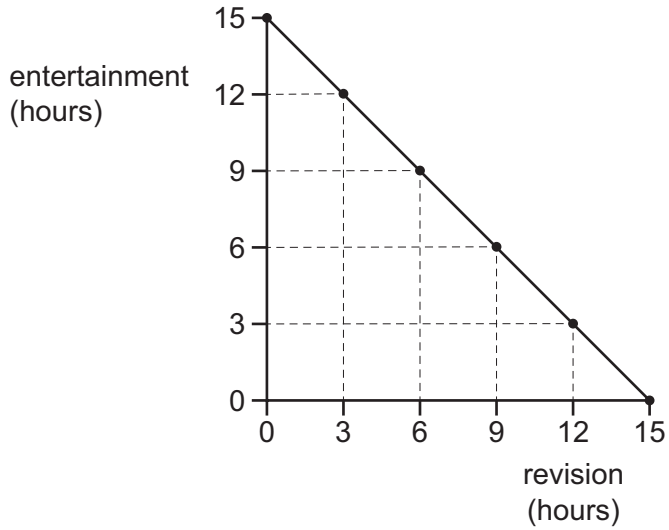
B Oil is expensive.

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.

View solution



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

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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.

View solution

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

View solution

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

View solution

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

View solution

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

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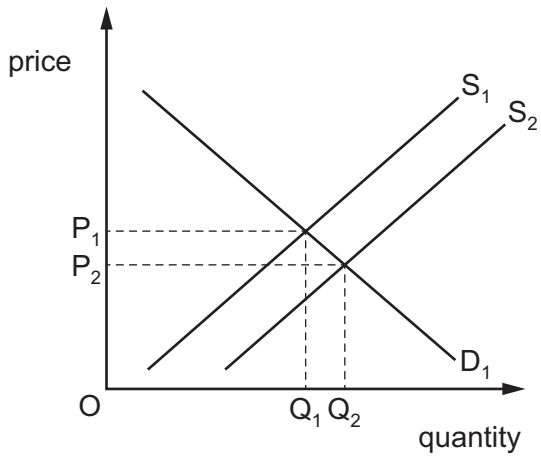
7 The diagrams show changes in the demand and supply curves for a good.

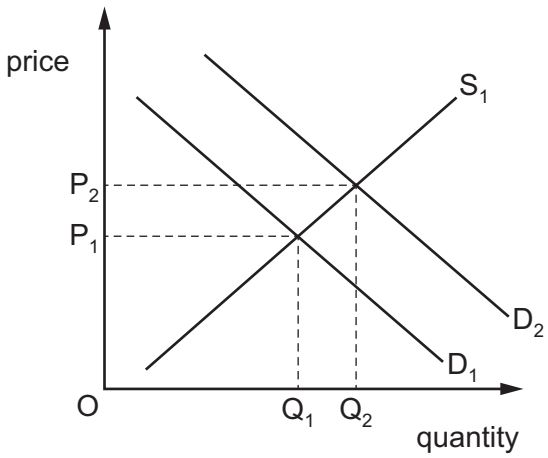
View solution

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

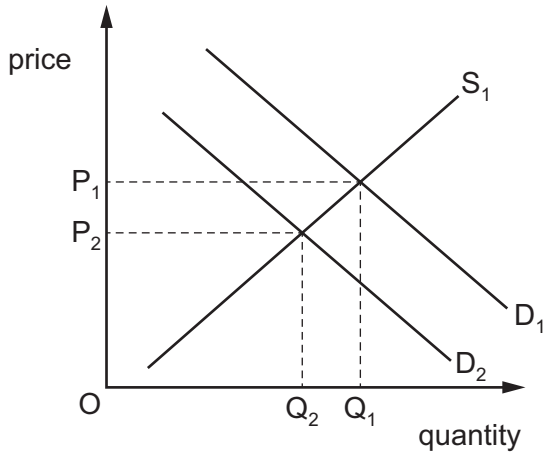
A



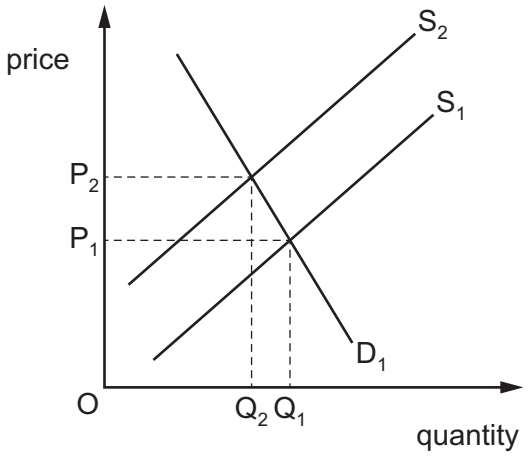
B



C



D



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

View solution

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?

View solution

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

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

View solution

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.

View solution

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.

View solution

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.

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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?

View solution

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.

View solution

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?

View solution

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

View solution

A deflation.

B falling GDP.

C rising prices.

D rising unemployment.

17 An economy is operating with all resources fully employed.

View solution

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

A deflation

B demand-pull inflation

C falling output

D increased employment

18 What causes economic growth?

View solution

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.

View solution

	$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?

View solution

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)?

View solution

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

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

View solution

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

View solution

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

View solution

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.

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

View solution

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

View solution

27 Why can specialisation cause economic growth?

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

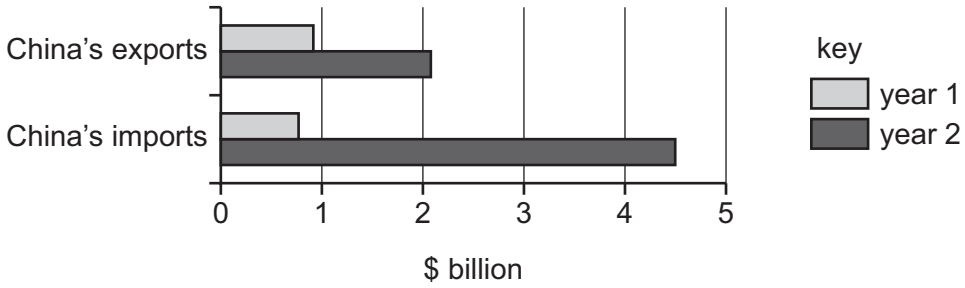
B Specialisation can lead to a reduction in average costs of production.

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.

View solution

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?

View solution

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?

View solution

A a fall in the money supply

B an increase in purchasing power

C cheaper imports

D more competitive exports

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