



# Cambridge IGCSE™

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## 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)

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## 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.

1 Which statement about the factors of production is correct?

- 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.

Answer

To determine which statement about the factors of production is correct, let's examine each option:

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

- This statement is incorrect. Capital refers to physical assets used in production, such as machinery, tools, and buildings, not financial resources like savings in banks.

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

- This statement is incorrect. Enterprise refers to the entrepreneurial ability to organize the other factors of production and take risks. It does not refer to office workers.

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

- This statement is incorrect. Labour refers to the human effort used in production. While it includes working-age individuals, pensioners and children are generally not considered part of the active labour force.

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

- This statement is correct. Land refers to natural resources that are used in production, including trees, fish, minerals, and other natural elements found in the environment.

**Therefore, the correct answer is 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.

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

Answer

To determine the opportunity cost for the builder of working the extra hours, we need to consider what he is giving up by choosing to work more. Opportunity cost is essentially the value of the next best alternative that is foregone when a decision is made.

Let's evaluate each option:

A. The ability to increase his purchasing power:

- This is not the opportunity cost because increasing purchasing power is a benefit he receives from working extra hours, not something he gives up.

B. The additional time travelling to and from work:

- The problem states that he spends one hour travelling to and from work regardless of the number of hours he works, so there is no additional travel time if he works more hours. Thus, this is not the opportunity cost.

C. The increased hourly earnings of \$7.50:

- The increase in earnings is calculated from the additional \$75 he earns for the extra 10 hours. This means his additional hourly earnings are  $\$75 / 10 = \$7.50$  per hour. However, this represents the additional earnings he receives, not what he sacrifices, so this is not the opportunity cost.

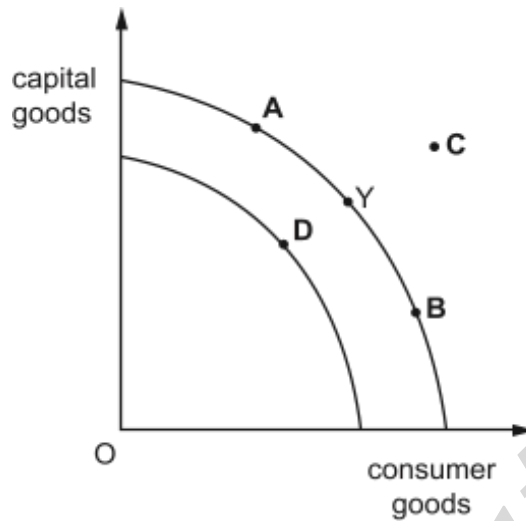
D. The ten hours of leisure time:

- By choosing to work an extra 10 hours, the builder is sacrificing 10 hours that he could have used for leisure or other activities. This is the true cost of choosing to work more, as it is the time he could have spent doing something else.

**Therefore, the correct opportunity cost is option 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).

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



Answer

To determine which point represents the country's production immediately after the disaster, we need to understand the concept of the production possibility curve (PPC). The PPC represents the maximum possible output combinations of two goods or services that a country can produce given its resources and technology.

1. **Before the Disaster (Point Y):**

- a. Point Y on the PPC represents the country's production before the disaster. It indicates the maximum output level the country could achieve using all its resources efficiently.

2. **After the Disaster:**

- a. A natural disaster typically damages infrastructure, reduces resources, and disrupts production capabilities. As a result, the country's production capacity decreases.
- b. This decrease in production capacity will cause the country to produce at a point inside the PPC, rather than on it. This is because the country no longer has the same level of resources and technology available to achieve the maximum production levels it did before the disaster.

**The point representing the country's production immediately after the disaster would be inside the PPC, so the answer reflecting the reduced production capacity due to damaged infrastructure and resources. This point shows that the country cannot produce at its previous maximum level until recovery and rebuilding occur.**

4. What is included in microeconomics?

- 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

Answer

Microeconomics is the branch of economics that focuses on the behavior and decision-making processes of individual units, such as households, firms, and markets. It deals with the allocation of resources and the interactions between consumers and producers. Let's examine each option to identify which one pertains to microeconomics:

- A. The calculation of national income and expenditure - This option is related to macroeconomics, not microeconomics. Macroeconomics looks at the economy as a whole and includes national income, GDP, and aggregate expenditure.
- B. The effects of a change in exchange rates on the trade balance of an economy - This is also a topic of macroeconomics. It involves analyzing the entire economy's trade balance and how exchange rates influence it.
- C. The effects of an increase in the price of a good or service - This option is directly related to microeconomics. Microeconomics studies how price changes affect the supply and demand for goods and services, influencing consumer behavior and producer decisions.
- D. The factors leading to demand-pull inflation - This is again a macroeconomic concept. Demand-pull inflation involves an increase in overall demand in the economy, leading to higher prices, and is studied at the macroeconomic level.

**Therefore, the correct answer is C, as it directly involves microeconomic analysis of individual goods and services' price changes and their impact on the market.**

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

- 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

Answer

To determine the correct definition of a market from the options provided, let's evaluate each one:

A. A collection of informal retail outlets run by small firms:

- This option describes a specific type of marketplace, but it does not encompass the full scope of what a market is in economic terms. A market is not limited to informal retail outlets or small firms.

B. A place where traders gather regularly for short periods:

- This option describes a physical marketplace or bazaar, where traders may meet to exchange goods. However, in economics, a market is not confined to physical locations or short periods.

C. A system that enables individuals and firms to buy and sell goods:

- This option aligns with the economist's definition of a market. A market refers to any structure that allows buyers and sellers to exchange any type of goods, services, and information. It is a broad system that includes various types of exchanges, not limited to physical locations.

D. The existence of consumer demand for a good:

- While consumer demand is a critical component of markets, this option alone does not define a market. A market involves both demand and the mechanisms that allow transactions to occur.

**Based on these evaluations, option C is the correct answer. A market, in economic terms, is a system that enables individuals and firms to buy and sell goods. It encompasses physical markets, digital platforms, and any mechanism that facilitates trade.**

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

Answer

To determine which option represents an external benefit from an individual cycling rather than driving to work, let's analyze each choice:

- A) A higher cost of building cycle lanes: This is not an external benefit. In fact, it's a cost that the government or local authorities might incur to promote cycling infrastructure. External benefits are positive effects experienced by others or society as a whole, not additional costs.
- B) Improved physical fitness to the individual from cycling: While improved physical fitness is a benefit, it is a personal or private benefit to the individual cycling, not an external benefit to society. External benefits affect others who are not directly involved in the activity.
- C) Lower cost of cycling compared with driving to work: This is a financial benefit to the individual, not an external benefit. External benefits refer to positive impacts on others or society, not personal financial savings.
- D) Reduced congestion for other road users: This is indeed an external benefit. When an individual chooses to cycle instead of driving, it reduces the number of cars on the road. This can lead to less traffic congestion, which benefits other road users by making their travel more efficient and potentially reducing travel time.

**The correct answer is D) reduced congestion for other road users. This option represents a positive external effect on society from the individual's choice to cycle rather than drive.**

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

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

Answer

To determine which price should be charged to maximize the tailor's yearly revenue, we need to calculate the total revenue for each price point by multiplying the demand for each customer by the respective price and then summing these values.

Let's go through each option:

A) \$800:

- Customer R: 4 suits
- Customer S: 1 suit
- Customer T: 2 suits
- Customer U: 2 suits

$$\text{Total Revenue} = (4 + 1 + 2 + 2) * 800 = 9 * 800 = \$7,200$$

B) \$900:

- Customer R: 4 suits
- Customer S: 0 suits
- Customer T: 1 suit
- Customer U: 2 suits

$$\text{Total Revenue} = (4 + 0 + 1 + 2) * 900 = 7 * 900 = \$6,300$$

C) \$1000:

- Customer R: 3 suits
- Customer S: 0 suits



- Customer T: 1 suit
- Customer U: 1 suit

Total Revenue =  $(3 + 0 + 1 + 1) * 1000 = 5 * 1000 = \$5,000$

D) \$1100:

- Customer R: 2 suits
- Customer S: 0 suits
- Customer T: 0 suits
- Customer U: 1 suit

Total Revenue =  $(2 + 0 + 0 + 1) * 1100 = 3 * 1100 = \$3,300$

After calculating the total revenue for each price point, we can see that the tailor's yearly revenue is maximized when the price is set at \$800 with a total revenue of \$7,200.

**Therefore, the correct answer is A) \$800.**

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.

What is the price elasticity of supply?

- a. 0.8    B    0.9    C    1.2    D    1.25

Answer

To calculate the price elasticity of supply, we use the formula:

Price Elasticity of Supply (PES) = (Percentage Change in Quantity Supplied) / (Percentage Change in Price)

1. **Calculate the Percentage Change in Quantity Supplied:**

Initial Quantity Supplied = 400 kilos New Quantity Supplied = 500 kilos

Percentage Change in Quantity Supplied =  $[(\text{New Quantity} - \text{Initial Quantity}) / \text{Initial Quantity}] * 100$

$100 = [(500 - 400) / 400] * 100 = [100 / 400] * 100 = 0.25 * 100 = 25\%$

2. **Calculate the Percentage Change in Price:**

Initial Price = \$5 New Price = \$6

Percentage Change in Price =  $[(\text{New Price} - \text{Initial Price}) / \text{Initial Price}] * 100 = [(6 - 5) / 5] * 100 =$

$[1 / 5] * 100 = 0.2 * 100 = 20\%$

3. **Calculate the Price Elasticity of Supply (PES):**

PES = Percentage Change in Quantity Supplied / Percentage Change in Price =  $25\% / 20\% = 1.25$

Therefore, the price elasticity of supply is 1.25.

**Correct Answer: D 1.25**

Let's verify each option:

**Option A (0.8):** This would imply that the percentage change in quantity supplied is less than the percentage change in price, which is incorrect.

**Option B (0.9):** This would also imply a lower percentage change in quantity supplied compared to the price, which is incorrect.

**Option C (1.2):** This is close but not the exact calculated value; hence it is incorrect.

**Option D (1.25):** As calculated, this is the correct value for the price elasticity of supply.

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

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.

Answer

To determine the most likely reason why consumers are expected to use less paper money, let's evaluate each option:

A. Inflation reduces the value of paper money.

- Inflation does indeed reduce the purchasing power of paper money, but it does not directly explain why consumers would use less paper money. It affects all forms of money equally, not just paper money.

B. More ways of making payments will be available.

- This option suggests that with advancements in technology, there are more convenient and diverse methods of payment available, such as digital payments, contactless cards, and mobile apps. This could directly lead to a decrease in the use of paper money, as people opt for more efficient and secure alternatives.

C. Other forms of money are more durable.

- Durability might be a factor, but it is not the primary reason for the decline in the use of paper money. While other forms of money, like coins or digital currency, may be more durable, the primary driver is usually convenience and accessibility of digital payments rather than durability.

D. Paper money will have less intrinsic value.

- Paper money generally has little to no intrinsic value; its value is derived from the government backing it. The intrinsic value is not a major factor that affects whether consumers will use more or less paper money.

**Based on the analysis, option B, "More ways of making payments will be available," is the most likely reason for consumers using less paper money. With the rise of digital payment methods, people have more convenient and secure options compared to traditional cash transactions.**

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

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.

Answer

This question is about identifying the possible reasons why fewer girls than boys become skilled design engineers in low-income countries. Let's evaluate each option:

- A. "Girls are only interested in low-wage jobs." This option suggests that girls are naturally inclined to seek low-wage jobs, which is a broad generalization and not supported by evidence. Interests and career choices are influenced by a variety of factors, including societal norms and opportunities, rather than a preference for low-wage jobs. Therefore, this option is unlikely to explain the situation accurately.
- B. "Girls do not favour heavy manual work." Design engineering is not primarily about heavy manual work. It involves more intellectual and technical skills rather than physical labor. Therefore, this option does not directly address the issue of why fewer girls become design engineers.
- C. "Girls have fewer opportunities to complete higher education." This option suggests that girls face barriers in accessing higher education, which is a well-documented issue in many low-income countries. Limited access to education can significantly impact the ability of girls to enter fields like engineering, which require advanced education and training. This is a plausible explanation for the situation.
- D. "It costs more for girls to be trained as design engineers." There is no inherent reason for training costs to differ by gender. The cost of training should be similar for both boys and girls. The issue is often more about access to education rather than the cost being different. Therefore, this option is unlikely to be the correct explanation.

**After evaluating all the options, the most likely reason is option C: "Girls have fewer opportunities to complete higher education." This option highlights the systemic barriers that girls face in accessing education, which can limit their opportunities to become skilled design engineers.**