

# Cambridge IGCSE<sup>™</sup>

ECONOMICS 0455/13

Paper 1 Multiple Choice May/June 2020

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**

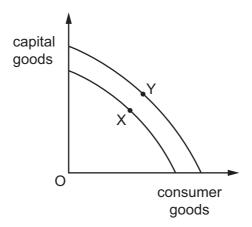
- The total mark for this paper is 30.
- Each correct answer will score one mark. A mark will not be deducted for a wrong answer.
- Any rough working should be done on this question paper.



**1** A natural resource was discovered in a country. The exploitation of this resource allowed the country to double its gross domestic product within ten years.

Why did this **not** solve the basic economic problem?

- **A** Exploiting the resource required high expenditure on capital equipment.
- **B** Exploiting the resource caused significant environmental damage.
- **C** Gross domestic product was unevenly distributed in the country.
- **D** Wants still exceeded the resources available to meet those wants.
- 2 The diagram shows a shift in a country's production possibility curve (PPC).



What would cause the shift from X to Y?

- **A** a fall in the unemployment rate
- B a fall in consumer demand
- **C** a rise in the rate of inflation
- **D** a rise in the size of the labour force
- **3** A farmer decides to grow potatoes instead of wheat.

What is the opportunity cost of growing the potatoes?

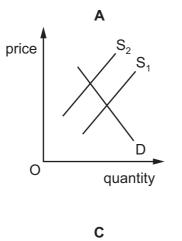
- **A** the output of wheat
- **B** the price of seed potatoes
- **C** the profit from growing potatoes
- **D** the time spent preparing the potato field

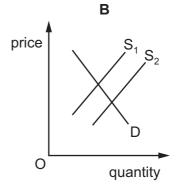
### 4 Which are both macroeconomic decisions?

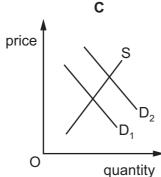
	decision 1	decision 2	
Α	a school recruits more teachers	a firm sets the prices for its products	
В	a central bank reduces money supply	a government spends more on defence	
С	a government increases tax rates	a farmer decides which crops to grow	
D	a household cuts its energy use	a worker accepts an offer of overtime	

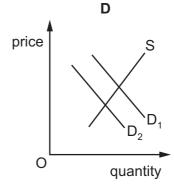
- **5** What is the function of the price mechanism in a market economy?
  - A allocating resources and guiding choices
  - B allowing governments to provide price stability
  - C enabling markets to operate fairly
  - **D** preventing competitors from entering a market
- **6** The diagrams show changes in the market conditions for coffee.

Which diagram shows the effect of a poor harvest of coffee beans?







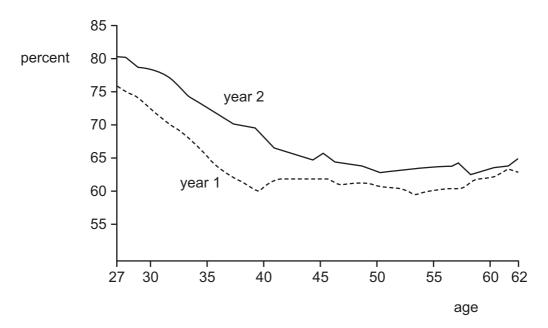


**7** The price elasticity of supply of good X is 0.1. The good suddenly becomes very fashionable, leading to a large increase in demand.

What would be the likely outcome of this change in the short term?

- A a large increase in output
- B a large increase in price
- C a small increase in price
- **D** a small increase in revenue
- **8** What is a disadvantage to employers of switching to production using division of labour?
  - A average cost decreases
  - **B** flexibility of workers is lost
  - C repetition of tasks saves time
  - **D** training time decreases
- **9** What is an advantage to a country of having an efficient commercial banking system?
  - **A** It controls the money supply.
  - **B** It discourages spending.
  - **C** It encourages tax evasion.
  - **D** It enables investment.

10 The graph shows women's wages as a percentage of men's wages in year 1 and year 2.



Which statement is shown by the graph to be true?

- A Younger women earn more than older women.
- **B** Women's wages remain about the same between the ages of 40–50.
- **C** In year 2, all women were earning more than men.
- **D** In year 2, women were earning a higher percentage of men's wages than in year 1.
- 11 People's income decreases.

How is the proportion spent on food and leisure likely to change?

	food	leisure	
Α	A decrease decrease		
<b>B</b> decrease		increase	
С	increase	decrease	
D	increase	increase	

**12** A firm produces 1000 units and has a total cost of \$50000. The variable cost per unit produced is \$40.

What is the total fixed cost of the firm?

**A** \$1000

**B** \$4000

**C** \$10 000

**D** \$40 000

**13** The following information refers to a firm producing shoes.

At which level of output does the firm maximise profits?

	total output of pairs of shoes	total cost (\$)	total revenue (\$)
Α	100	1000	1300
В	200	1800	2200
С	300	2700	3000
D	400	3200	3400

**14** Firms can grow by increasing the internal scale of their operations.

What might be a disadvantage of this to the firm?

- A average cost begins to fall
- **B** it is difficult to motivate workers
- C labour is replaced by robots
- D markets become global
- **15** A government owns and runs an airline.

Which combination of ownership and sector is this?

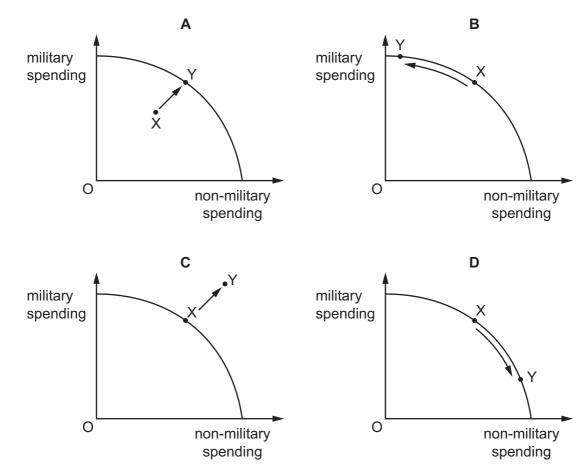
	ownership	sector	
Α	A private seconda		
B private terti		tertiary	
С	public	secondary	
D	public	tertiary	

- **16** What is **not** included in public expenditure?
  - A capital spending by firms
  - **B** interest payments on government borrowing
  - **C** investment in defence by the central government
  - **D** subsidies to bus companies from local government

- 17 When is the budget described as balanced?
  - A when direct taxes and indirect taxes are equal
  - **B** when exports and imports are equal
  - **C** when government spending and government revenue are equal
  - **D** when the demand for money and the supply of money are equal
- 18 What is the main aim of supply-side policy?
  - A increasing economic growth by raising productivity
  - **B** increasing the balance of payments surplus by restricting free trade
  - **C** reducing the government's budget deficit by increasing taxation
  - **D** reducing the money supply by increasing the rate of interest
- **19** A government is **not** allowed to increase its military spending.

Government spending is currently at X.

Which diagram illustrates a possible change in government spending?



**20** A country has full employment.

Which policy is **most** likely to lead to a fall in economic growth in the short run but an increase in economic growth in the long run?

- A lowering the retirement age
- B raising the school leaving age
- **C** restricting the immigration of key workers
- **D** selling assets owned in other countries
- 21 A government has a contractionary fiscal policy to reduce inflation. What will the government increase?
  - A expenditure on infrastructure
  - **B** income tax rates
  - C personal tax allowances
  - **D** unemployment benefits
- 22 What would **not** be required in the construction of an index of consumer prices?
  - **A** the selection of a base year
  - **B** the selection of a representative range of items
  - **C** the calculation of average wage levels
  - **D** the weighting of each item in the index
- 23 The table gives information about three economic indicators in four countries.

	rate of inflation %	rate of interest %	rate of unemployment %
country W	1.4	3.4	10.2
country X	3.7	8.7	12.3
country Y	3.6	7.3	14.2
country Z	2.1	6.0	7.7

What may be concluded from this information?

- A Countries with higher inflation have higher interest rates.
- **B** Countries with higher interest rates have lower unemployment.
- **C** The country with the lowest inflation had the highest unemployment.
- **D** The country with the lowest unemployment had the lowest inflation.

**24** Real incomes have risen in a country.

Which situation would definitely have caused this?

	price level money incomes		
Α	A fell fell		
В	fell	rose	
С	rose	rose	
D	rose	fell	

25 In recent years some low-income countries have achieved higher rates of economic growth than high-income countries.

What is most likely to explain this accelerated economic growth?

- A ease of transfer of modern technology to increase productivity
- B falling agricultural prices
- **C** higher ratios of labour to capital in manufacturing industries
- **D** increased trade barriers by high-income countries
- **26** Which changes usually result when a country develops and is able to provide free healthcare and good living conditions?

	birth rate	death rate	labour productivity
Α	falls	falls	rises
В	falls	rises	falls
С	rises	falls	falls
D	rises	rises	rises

27 What are the effects on price and equilibrium quantity of the imposition of an import tariff on a good?

	price equilibrium quantit		
Α	decreases	decreases	
В	decreases	increases	
С	increases	decreases	
D	increases	increases	

- **28** Which change will **not** increase a surplus on the current account of the balance of payments of a country?
  - A a decrease in the value of imports
  - **B** a decrease in primary income outflows
  - C an increase in the amount of development aid received
  - **D** an increase in domestic inflation rates
- 29 An economy with a floating exchange rate experiences an increased deficit on the current account of the balance of payments.

What will result from this?

- A an increase in government debt
- **B** an increase in its foreign currency reserves
- **C** an increase in the demand for its currency on the foreign exchange market
- **D** an increase in the supply of its currency on the foreign exchange market
- **30** The table shows components of Japan's current account balance in trillion Yen (¥) for 2011 and 2012.

year	balance of goods ¥trillion	balance of services ¥trillion	balance of primary income ¥trillion	balance of secondary income ¥trillion
2011	-1.61	-1.76	14.04	-1.11
2012	-5.23	-2.33	13.55	-1.02

Which balance improved between 2011 and 2012?

- A balance of goods
- **B** balance of services
- **C** balance of primary income
- D balance of secondary income

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