Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ECONOMICS **0455/13**

Paper 1 Multiple Choice **May/June 2017**

45 minutes

Additional Materials: Multiple Choice Answer Sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

1637570737

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.

IB17 06_0455_13/3RP
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1 Which statement about factors of production is correct?

A The fruit picked from the tree is called land.

B The managers of a company are called enterprise.

C The money used to finance a project is called capital.

D The owner of a company is called labour.

2 A person can make 10 items to sell on a craft stall in a day.

What is the opportunity cost if the person decides to paint a picture instead?

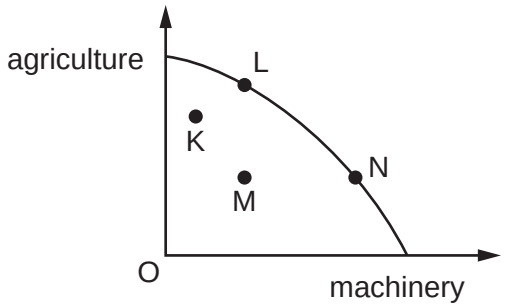
A 10 craft items

B the cost of the materials for the craft items

C the cost of the paint for the picture

D the value of the picture

3 The diagram shows a production possibility curve for agriculture and machinery.



As a country develops, its primary production decreases and its secondary production increases.

Which movement would represent this change?

A K to L **B** L to N **C** M to N **D** N to L

4 The table shows four people's demand for t-shirts at two prices.

price of t-shirt $	demand for t-shirts (units)			
	Elsa	George	Hamid	Shara
10	4	6	3	5
15	2	3	1	4

Who has the most elastic demand for t-shirts when the price rises from $10 to $15?

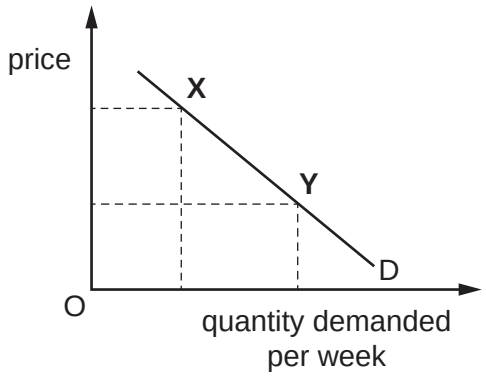
A Elsa

B George

C Hamid

D Shara

5 The diagram shows the demand for chocolate.



What could cause the movement from point **X** to point **Y**?

A a change in tastes

B a fall in the price of chocolate

C an increase in income

D a successful advertising campaign for chocolate

6 A company produces an electric car that can be driven much further than other electric cars without needing recharging. The car does not emit the dangerous fumes that petrol cars do. The batteries that power the car are very expensive and the company is building a huge factory to produce batteries more cheaply.

Which concepts can be applied to the above statement?

A average cost and mergers

B external costs and mixed economy

C private costs and economies of scale

D public sector and market failure

7 People often eat biscuits when they drink a cup of tea. Between 2010 and 2015, the consumption of sweet biscuits decreased because of health warnings about high sugar consumption. Sales of tea, as a result, also fell.

How would this be shown on demand and supply diagrams for biscuits and tea?

	biscuits	tea
A	demand curve moves to left	demand curve moves to left
B	demand curve moves to right	demand curve moves to right
C	movement down along the demand curve	demand curve moves to right
D	movement up along the demand curve	demand curve moves to left

8 A student needs to borrow $60 000 to pay for a five-year university course in medicine.

What would motivate the student to borrow to pay for the course?

A Debts must be repaid within the first five years of work.

B Further training in hospitals must follow graduation.

C High earnings are expected in the long-run.

D Many skills gained on the course are non-transferable.

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9 The Congress of South African Trade Unions (COSATU) is the biggest union federation in South Africa. It represents public sector workers.

In 2010, it had an increase in membership. In the same year, COSATU's bargaining strength declined.

What could explain this?

A There was an increase in government spending on welfare payments.

B There was an increase in the country's unemployment rate.

C There was an increase in the geographical mobility of labour.

D There was an increase in union funds.

10 Which worker is most likely to risk facing a falling income towards the end of their career?

A a manager in an engineering firm

B a manual worker in a building firm

C a supervisor in a retail firm

D an office worker in an advertising firm

11 What is the most likely reason why airline pilots earn more than agricultural workers?

A Agricultural work is difficult.

B Pilots work regular hours.

C There is a surplus of agricultural workers.

D There is no shortage of pilots.

12 To achieve horizontal integration, a firm producing tyres could merge with another firm producing

A motor cars.

B rubber.

C tyre-producing machinery.

D tyres.

13 A car manufacturer has a highly mechanised assembly line using robots and a few skilled workers. An international exam board employs many thousands of examiners to mark candidates' examination papers.

Which row describes each of these activities?

	car manufacturer	international exam board
A	capital-intensive	capital-intensive
B	capital-intensive	labour-intensive
C	labour-intensive	capital-intensive
D	labour-intensive	labour-intensive

14 A monopoly takes over an industry from competitive firms.

What is **not** likely to be true about a monopoly compared with a competitive firm?

A A monopoly will earn a higher rate of profit.

B A monopoly will gain a greater share of the market.

C A monopoly will offer a wider choice to the consumer.

D A monopoly will operate on a larger scale of production.

15 The table shows the total costs of a firm. It can sell the units for $10 each.

quantity produced (units)	7	8	9	10
total cost ($)	10	15	20	25

How many units will the firm produce to maximise profits?

A 7 **B** 8 **C** 9 **D** 10

16 When is a tax progressive?

A when some goods have a higher tax than others

B when the rate of tax increases as income increases

C when the tax is linked to the rate of inflation

D when the tax is on incomes rather than on goods or services

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17 Why can government spending be described both as a fiscal policy and a supply-side policy?

A It has a nationwide effect and can control firms' production possibility curves.

B It is announced in the budget and can increase the economy's ability to produce.

C It is determined by the central bank and can raise the cost of production of firms.

D It must equal tax revenue and can regulate the amount of the money supply.

18 In trying to achieve one of its aims a government may make it difficult to achieve another aim.

What is an example of this conflict?

A Achieving a more even distribution of income may prevent a rise in the average standard of living.

B Achieving an increase in economic growth may prevent full employment.

C Achieving full employment may prevent stable prices.

D Achieving stable prices may prevent a current account surplus on the balance of payments.

19 A government cuts the rate of income tax.

What effect is this likely to have on tax evasion and revenue from indirect taxes?

	tax evasion	revenue from indirect taxes
A	decrease	increase
B	decrease	no effect
C	increase	increase
D	increase	no effect

20 A newspaper reported that a country's economy had grown by 3% during the last year.

What must have increased in that year?

A costs of production

B gross domestic product

C unemployment

D wage levels

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21 In the poorest developing countries it is difficult to measure the size of GDP.

What is the main cause of this?

A A high proportion of the paid workforce is in the informal sector.

B Employment in rural areas is seasonal in nature.

C The provision of services cannot be given a value.

D Women are discriminated against in many jobs.

22 The information below refers to an economy for a financial year.

government expenditure	=	$2866 million
government revenue	=	$1940 million

What was the budget balance of the government in that year?

A $926 million in deficit

B $4806 million in deficit

C $926 million in surplus

D $4806 million in surplus

23 The table shows some information from a developing country.

consumer prices: % change on previous year

year	percentage change on previous year (%)
2011	4
2012	5
2013	3
2014	2

Which statement must be correct?

A Prices fell between 2013 and 2014.

B The cost of living was lowest in 2014.

C The purchasing power of money rose between 2012 and 2013.

D Those on fixed incomes became worse off between 2011 and 2012.

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24 What is likely to show that a country has a rising level of economic development?

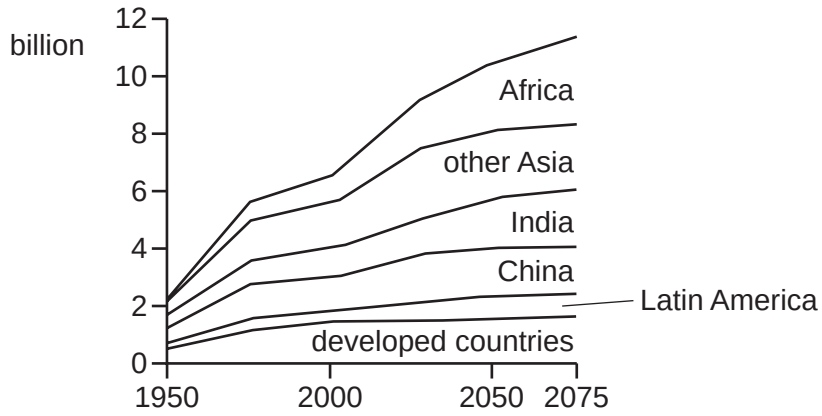
A a reduced inflation rate

B a reduced national income per head

C a reduced provision of healthcare (merit good)

D a reduced unemployment rate

25 The diagram shows population projections until the year 2075 for selected areas.



Assuming no migration, which situation must exist if the population is to change in the manner shown in the diagram?

A birth rate falling and death rate falling

B birth rate greater than death rate

C death rate greater than birth rate

D death rate rising and birth rate falling

26 A government in a developing country has given extra funds to promote trade in rural areas by encouraging the establishment of small shops.

What is likely to increase as a result?

A primary industry in the private sector

B primary industry in the public sector

C secondary industry in the public sector

D tertiary industry in the private sector

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27 Which government policy is most likely to increase the volume of exports?

A devaluation

B embargoes

C quotas

D tariffs

28 Which method would both reduce imports and encourage exports?

A embargoes on dangerous products

B quotas on agricultural produce

C subsidies on locally-produced electronics

D tariffs on iron and steel products

29 The currency exchange rate of the South African rand for the Botswana pula fell by 5.7% between August 2014 and August 2015.

What would be the immediate effect of this?

A Botswana's level of protection would fall.

B Botswana's tourists travelling to South Africa would find it less expensive.

C South Africa's imports would be cheaper.

D South Africa's tourists travelling to Botswana would receive more pula per rand.

30 In 2015, China was the world's biggest importer of oil. In August 2015, China devalued its currency.

What is likely to have happened?

A The price of China's exports fell and world oil prices rose as China's demand decreased.

B The price of China's exports rose and world oil prices fell as China's demand increased.

C The price of China's imports fell and world oil prices rose as China's demand increased.

D The price of China's imports rose and world oil prices fell as China's demand decreased.

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