Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

ECONOMICS **0455/13**

Paper 1 Multiple Choice **May/June 2019**

45 minutes

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

* 2 6 9 7 0 9 0 7 6 2 *

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.

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1 In farming, what is an example of what economists call capital?

A savings the farmer has in the bank

B shares in a farming company

C the money the farmer set aside to pay taxes

D the tractor owned by the farmer

2 What would cause an outward shift of a country's production possibility curve (PPC)?

A a fall in unemployment

B an increase in the rate of income tax

C an increase in the labour force

D a reduction in expenditure on education

3 In recent years more golf courses, which use large quantities of water, have opened in China.

What may be the opportunity cost of this?

A cost of water

B loss of farmland

C sales of golf equipment

D wages of golf course staff

4 What is a characteristic of tertiary industries?

A They are located away from centres of population.

B They do not sell to the final consumer.

C They tend to be labour-intensive.

D They transform raw materials into goods.

5 China has built a new railway in Kenya from the capital, Nairobi, to the seaport of Mombasa. Kenya must repay the cost of the railway to China. Journey time has been reduced significantly but fares have increased and farmers have lost agricultural land along the new line.

Who bears the external costs of this operation?

A China who built the new railway

B farmers who have lost agricultural land

C Kenya who must repay the cost to China

D passengers who pay the higher fare

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6 What is meant by equilibrium in a market?

A where products offered for sale equal consumer demand

B where profit is at the expected level

C where the quantity of inputs equals the quantity of output

D where total costs equal total revenue

7 A product has a price elasticity of demand of –0.5.

What happens to the demand for a product if its price falls from $1 to $0.80?

A It decreases by 10%.

B It decreases by 20%.

C It increases by 10%.

D It increases by 20%.

8 The demand for gas in a country becomes price-inelastic.

What will happen as a result?

A Gas workers will be less likely to be successful in obtaining wage increases.

B Gas workers will be more likely to be successful in obtaining wage increases.

C Total expenditure on gas by consumers will fall when its price rises.

D Total expenditure on gas by consumers will rise when its price falls.

9 Which advantage do coins have that make them more suitable than banknotes to act as money?

A They are more divisible.

B They are more durable.

C They are more portable.

D They are more recognisable.

10 What is the **most** important factor that affects how much a family saves?

A the income of the family

B the level of taxation

C the rate of inflation

D the reliability of banks

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11 The table shows the change in real incomes for a number of occupations between 1985 and 2015.

occupation	change in real income %
doctors	153
lawyers	114
accountants	60
bricklayers	37
bus and coach drivers	19
fork-lift truck drivers	–5

What can be concluded from the table?

A All occupations were better off in 2015 than in 1985.

B Fork-lift truck drivers earned the lowest wages in 2015.

C Doctors have earned more than lawyers since 1985.

D Professionals received higher percentage increases in income than manual workers.

12 Which business organisation is **most** likely to have unlimited liability?

A co-operative

B multinational

C public limited company

D sole trader

13 What is an example of a technical economy of scale?

A Banks provide loans at a lower interest rate to bigger firms.

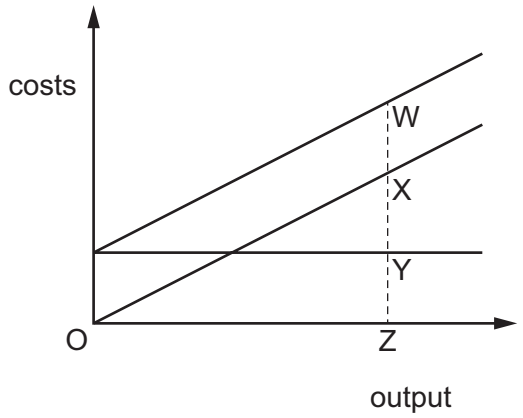
B Bigger firms hire more workers.

C Firms obtain discounts when buying in bulk.

D Machines are used closer to their full capacity.

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14 The diagram shows the fixed costs, variable costs and total costs of a firm.



Which distance represents the firm's fixed costs?

A WX **B** WY **C** XY **D** XZ

15 An entrepreneur buys a workshop for $200 000 to make plastic boxes. In the first year of operation he spends $70 000 on materials, employs ten production workers paid by the amount produced (piece rate) at a total cost of $80 000 and buys two delivery vehicles for $10 000 each.

What are his total variable costs?

A $100 000 **B** $150 000 **C** $220 000 **D** $370 000

16 Which form of taxation always takes an increasing percentage of the taxpayer's income as it rises?

A indirect

B progressive

C proportionate

D regressive

17 What is the **most** likely effect of a government reducing the money supply?

A Employment will decrease.

B Growth will increase.

C Inflation will increase.

D Tax rates will decrease.

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18 Sometimes the government regulates the market to protect the interests of consumers.

Which kind of regulation would achieve this protection?

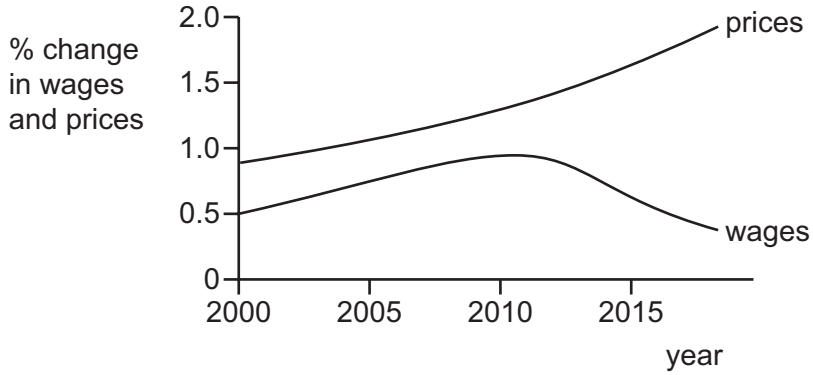
A discouraging economies of scale that lead to lower costs

B preventing mergers which result in high monopoly prices

C reducing shop opening hours

D reducing the range of products supplied to the market

19 The diagram shows percentage (%) changes in prices and wages over time.



What does the diagram indicate?

A Inflation is proportionately related to wage levels.

B The gap between wages and prices is constant.

C Wages are highest in 2010.

D Wage earners have increasingly less purchasing power.

20 Why might GDP per head be underestimated in a developed economy?

A It does not account for changes in population.

B It does not include financial services output.

C It does not include the hidden economy.

D It does not take into account the primary sector.

21 What is included in the Human Development Index (HDI)?

A gender inequality

B life expectancy at birth

C political freedom

D the impact of pollution

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22 What is most likely to have caused a long-term decrease in the numbers employed in the banking sector of an economy?

A frictional unemployment caused by relocating a bank's headquarters

B seasonal unemployment caused by reduced customer demand in the summer

C technological unemployment caused by an increase in internet banking

D voluntary unemployment caused by a reduction in wage rates

23 What might cause prices to rise because of cost-push inflation?

A an increase in government spending on education

B an increase in household consumption

C an increase in the balance of payments surplus

D an increase in wages and salaries

24 Which action might be taken by an economy wishing to produce a greater range of products?

A concentrate on the production of primary products

B encourage imports of manufactured goods

C encourage investment by multinational companies

D increase interest rates

25 Given the following information, which country is most likely to have the highest standard of living?

		birth rate	death rate	life expectancy	infant mortality rate
A	Bangladesh	27	10	58	93
B	Bhutan	36	14	53	107
C	Botswana	31	21	40	57
D	Brunei	25	5	72	22

26 In a country the birth rate increased but the population decreased.

What could have happened to other factors to cause this?

A a fall in infant mortality but no change in the death rate

B a rise in net immigration but no change in the death rate

C no change in migration but the death rate rose

D the death rate fell with no change in migration

27 The US government decides to reduce the size of the quota on a good it buys from China.

What is likely to happen?

A The good will become cheaper in the US.

B The US balance of trade will worsen.

C The US government's revenue will decline.

D There will be less of the good imported into the US.

28 Changes in the foreign exchange rate of a country resulted in a depreciation of its currency.

What is **not** likely to happen?

A The costs of imported raw materials will fall.

B The country's export trading position will become more competitive.

C The country's residents will find it more expensive to take holidays abroad.

D The current account deficit will be unchanged.

29 Which item will register as an outflow on the services section of the current account of the US balance of payments?

A money paid by chemical producers in the US for foreign oil

B money paid by foreign firms for US cars

C money paid by migrant workers in the US to their families overseas

D money paid by US tourists visiting attractions in other countries

30 A large amount of the agricultural products in a country were damaged by floods.

What is likely to have happened to the price of agricultural products and the volume of imports of agricultural products?

	price of products	volume of imports
A	fall	fall
B	fall	rise
C	rise	fall
D	rise	rise

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