Cambridge Assessment International Education

Cambridge IGCSE™

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.

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[Turn over

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?

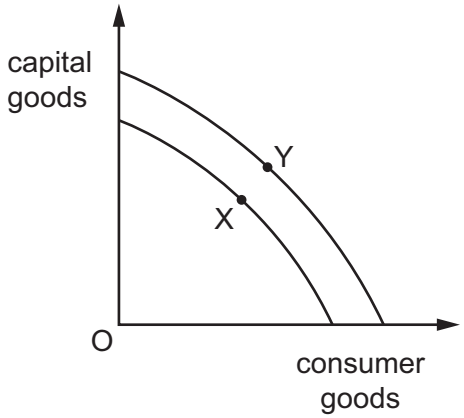
A Exploiting the resource required high expenditure on capital equipment.

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

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4 Which are both macroeconomic decisions?

	decision 1	decision 2
A	a school recruits more teachers	a firm sets the prices for its products
B	a central bank reduces money supply	a government spends more on defence
C	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

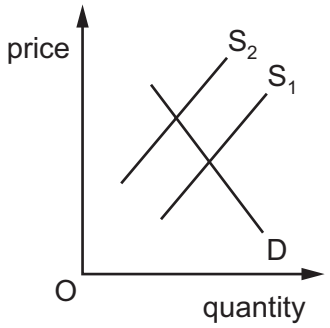
C enabling markets to operate fairly

D preventing competitors from entering a market

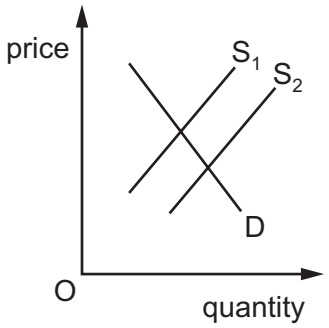
6 The diagrams show changes in the market conditions for coffee.

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

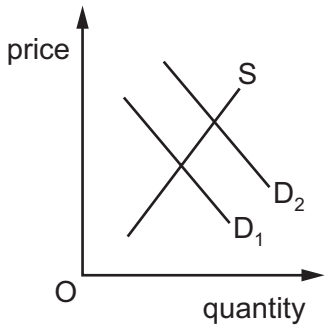
A



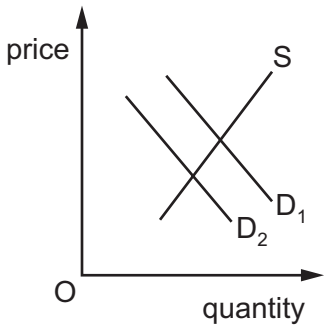
B



C



D



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.

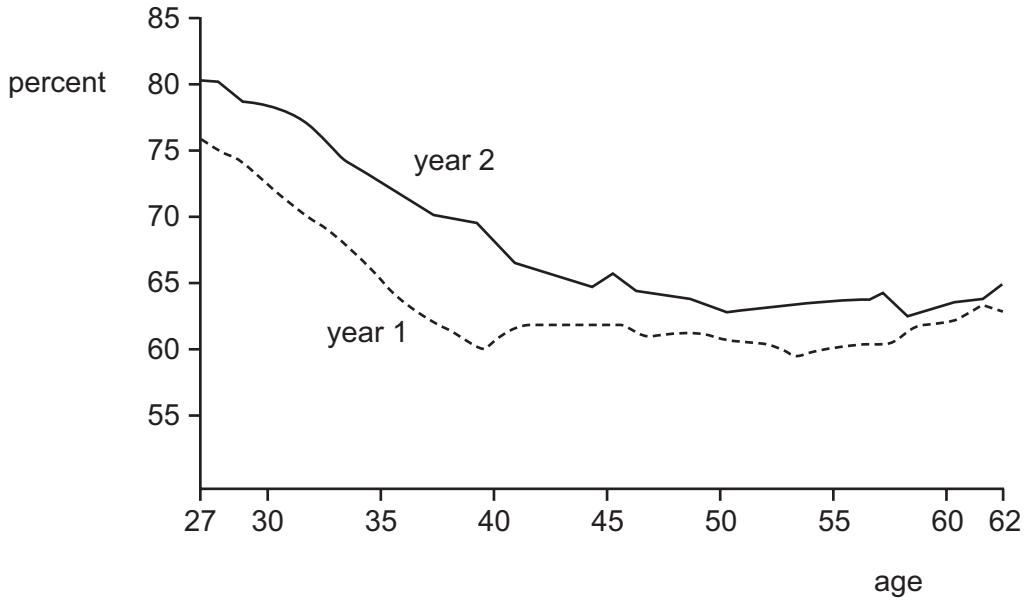
B It discourages spending.

C It encourages tax evasion.

D It enables investment.

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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
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

12 A firm produces 1000 units and has a total cost of $50 000. 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 ($)	total revenue ($)
A	100	1000	1300
B	200	1800	2200
C	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
A	private	secondary
B	private	tertiary
C	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

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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

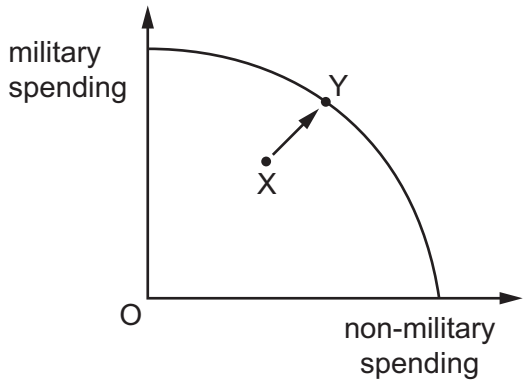
D reducing the money supply by increasing the rate of interest

19 A government is **not** allowed to increase its military spending.

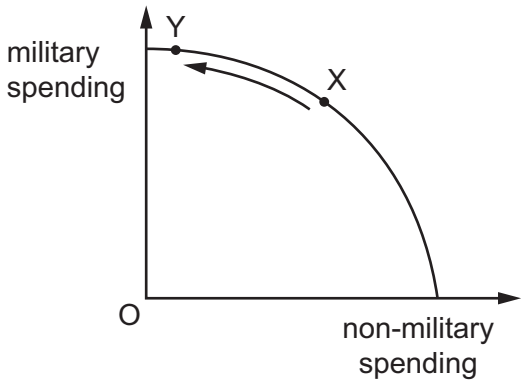
Government spending is currently at X.

Which diagram illustrates a possible change in government spending?

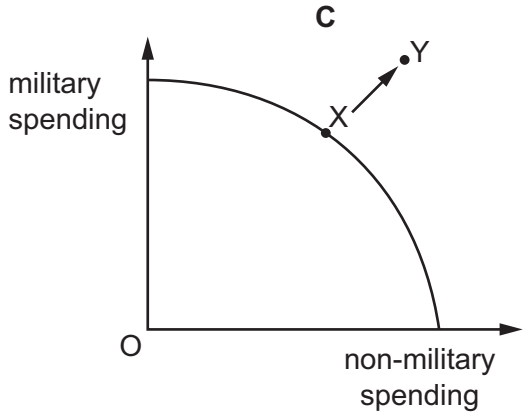
A



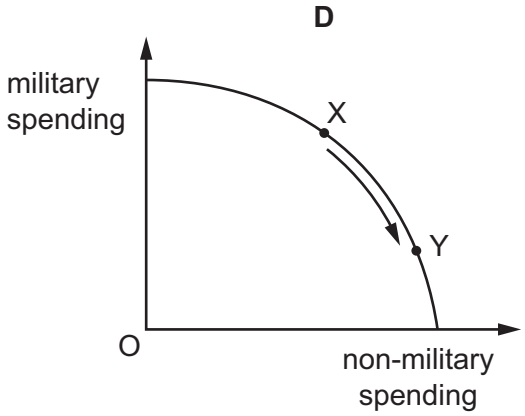
B



C



D



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.

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24 Real incomes have risen in a country.

Which situation would definitely have caused this?

	price level	money incomes
A	fell	fell
B	fell	rose
C	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
A	falls	falls	rises
B	falls	rises	falls
C	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 quantity
A	decreases	decreases
B	decreases	increases
C	increases	decreases
D	increases	increases

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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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