Cambridge Assessment International Education

Cambridge IGCSE™

ECONOMICS **0455/13**

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)

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.

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1 Increasing output of one good reduces production of another good.

Which economic concept does this change represent?

A average cost

B diseconomies of scale

C economies of scale

D opportunity cost

2 What condition in an economy would encourage immigration of labour?

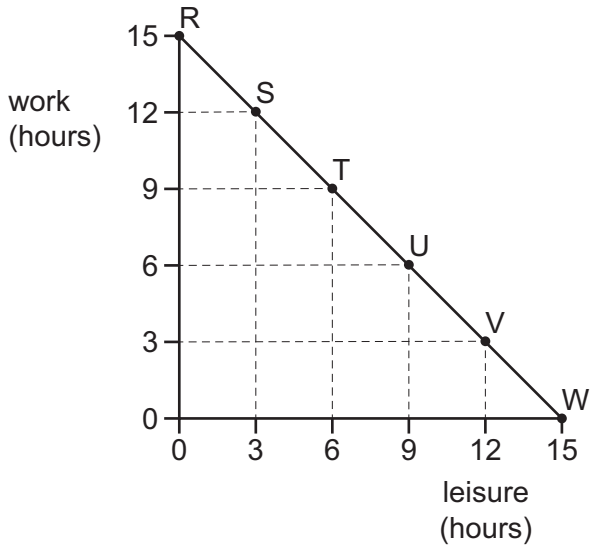
A high cost of housing

B preference for domestic over foreign qualifications

C reduced quotas for foreign workers

D shortage of skilled workers

3 The production possibility curve (PPC) shows the hours per day that a person has for either work or leisure.



This person works 6 hours a day but then decides to work 9 hours a day.

Which movement shows this change?

A T to R **B** T to U **C** U to V **D** U to T

4 Who is a microeconomic decision maker?

A the director of an international trade organisation

B the entrepreneur of a firm

C the finance minister of a government

D the governor of a central bank

5 What is an essential feature of a market economy?

A Central planners determine what, how and for whom to produce.

B It aims for equality in the distribution of goods and services.

C The market price reflects both the private and external costs of production.

D The price mechanism sends signals to consumers and producers to allocate resources.

6 What is a definition of market failure?

A market forces of demand and supply do not allocate resources efficiently

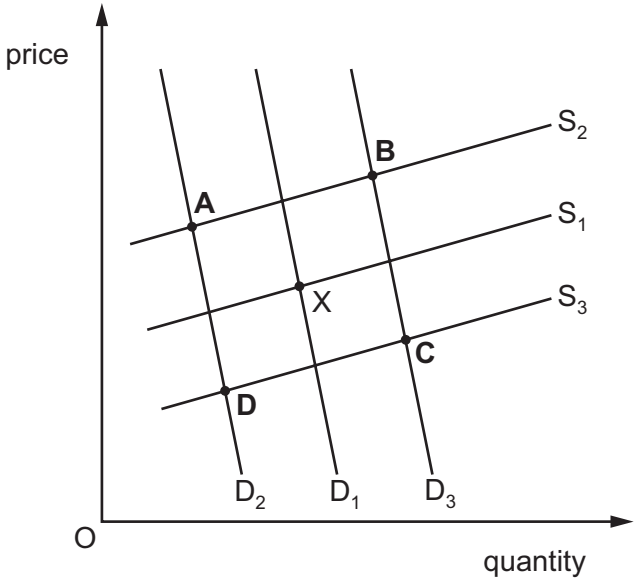
B not all consumers can afford to buy the goods they would like

C private benefits of consumption are greater than external benefits

D public goods are only provided by a government

7 The diagram shows the market for oil. The original equilibrium is X. Oil producers discover a new source of oil while there is economic growth.

What is the new equilibrium?



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

9 Average incomes rose by 5% but savings did not rise.

What might explain this?

A Consumer confidence in the economy fell.

B Incomes rose more slowly than the rate of inflation.

C Interest rates for savings rose.

D The rate of income tax was reduced.

10 Which firm is in the tertiary sector?

A bread bakery

B fruit grower

C meal delivery

D road builder

11 What is a benefit to a worker of being a member of a trade union?

A access to advice

B guaranteed employment

C opportunity to work extra hours

D payment of subscriptions

12 A firm employs 10 workers. Each worker is paid a weekly wage of $200 and produces 50 goods per week.

What is the average cost of labour per good produced?

A $0.4 **B** $4 **C** $20 **D** $200

13 How would advertising a good result in a retail firm increasing its market share?

A It will improve the personal service in its shops.

B It will increase the firm's costs.

C It will reduce demand for competitors' products.

D It will result in diversification in the firm.

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14 What describes the total revenue of a firm?

A fixed costs plus variable costs

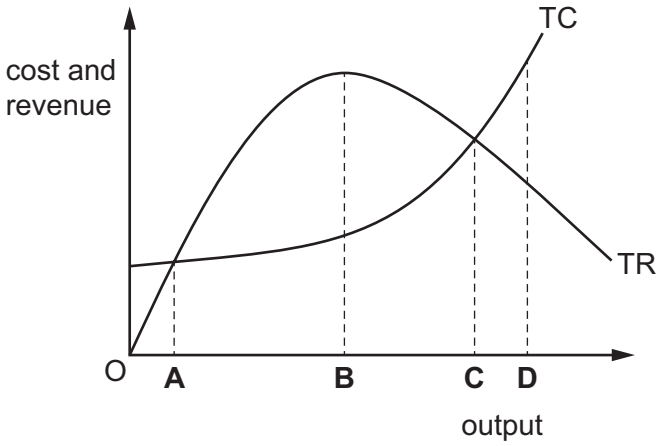
B income from sales minus total costs

C quantity of goods sold multiplied by unit price

D variable costs divided by output

15 The diagram shows the total revenue (TR) and total cost (TC) of a firm in a market.

At which level of output will the firm maximise profits?



16 What is fiscal policy?

A government decisions on money supply and interest rates taken to influence total demand

B government decisions on spending and taxation designed to influence total demand

C government measures designed to influence total supply in the economy

D government regulation of the foreign exchange rate to influence imports

17 What is the money supply?

A the total quantity of foreign currency available within the economy

B the total quantity of money available within the economy

C the total quantity of money issued by the central bank

D the total quantity of money within commercial banks

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18 The table shows sources of government revenue for an economy.

sources of revenue	$ billions
sale of government assets	100
sales tax	300
tariffs on imports	50
tax on employment income	500
tax on inherited wealth	50
tax on company profits	100

What is the total amount of tax revenue raised by direct taxes?

A $600 billion **B** $650 billion **C** $950 billion **D** $1100 billion

19 The table shows the Consumer Prices Index (CPI) of a country for five years.

year	CPI
1	100
2	120
3	135
4	140
5	138

Which statement about the country is correct?

A It faced deflation in year 2.

B It faced deflation in year 3.

C It faced inflation in year 4.

D It faced inflation in year 5.

20 What may cause deflation?

A advances in technology and increases in labour productivity

B government using a policy of very low interest rates

C increases in the costs of production that reduce firms' profits

D increases in the rate of inflation as measured by the CPI

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21 Economic growth can be defined as

A a reduction in a country's rate of inflation.

B an increase in a country's exports.

C an increase in a country's population.

D an increase in a country's productive capacity.

22 The table compares the distribution of employment in selected industries in two years.

industry	employment in millions	
	year 1	year 2
agriculture	4	3
mining	2	2
manufacturing	6	6
retailing	4	4
transport	4	5
total	20	20

How did the distribution of employment change between year 1 and year 2?

	primary sector	secondary sector
A	fell	rose
B	fell	unchanged
C	rose	fell
D	rose	unchanged

23 In a year, two changes occurred in a company.

Company directors' salaries increased by 15%.

Office workers' wages increased by 5%.

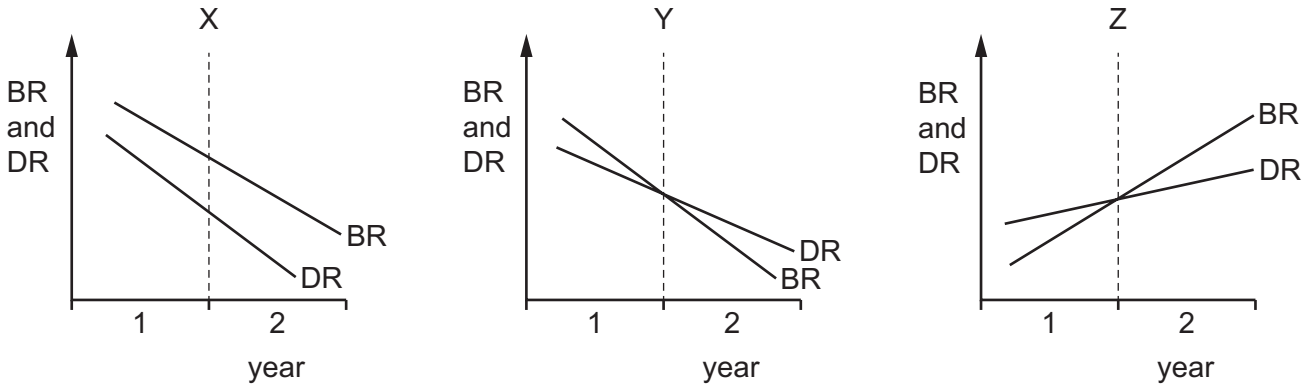
The rate of inflation was 3.4%.

What happened to real income?

	company directors' real income	office workers' real income
A	fell	fell
B	fell	rose
C	rose	fell
D	rose	rose

24 The diagrams show birth rate (BR) and death rate (DR) in three countries, X, Y and Z, in two years, 1 and 2.

There was no migration.



Where was there a rise in population in year 1 and a fall in population in year 2?

A X and Z **B** X only **C** Y and Z **D** Y only

25 The richest 60% of the population of a high-income economy received an increase in income. The income of the rest of the population did not change.

What happened to absolute and relative poverty?

	absolute poverty	relative poverty
A	increased	increased
B	increased	remained constant
C	remained constant	increased
D	remained constant	remained constant

26 Gross Domestic Product (GDP) is a better measure of comparative living standards when it is adjusted for the effects of

A exports and inflation.

B imports and exports.

C population change and exports.

D population change and inflation.

27 What is a benefit of a multinational company (MNC) to the host country?

A A MNC may improve the reputation of its home country as a high-quality producer.

B Exports by a MNC may result in an improved trade balance for the host country.

C Production by a MNC may lead to higher levels of pollution in the host country.

D Profits made by a MNC are sent back to its home country.

28 Globalisation is the process by which domestic firms become involved in international markets.

What encourages globalisation?

A controls on foreign exchange

B immigration restrictions

C increasing tariffs

D widespread use of the internet

29 What does a foreign exchange rate between Malaysia and the US measure?

A the cost of the Malaysian currency in the US currency

B the difference in the cost of living between Malaysia and the US

C the difference in the standard of living between Malaysia and the US

D GDP of Malaysia divided by the GDP of the US

30 A country has a deficit on its current account of its balance of payments.

What could increase the size of its deficit?

A increased exports of its services

B increased international competitiveness of its goods

C increased numbers of visitors from abroad

D increased spending on its military bases abroad

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