



# 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

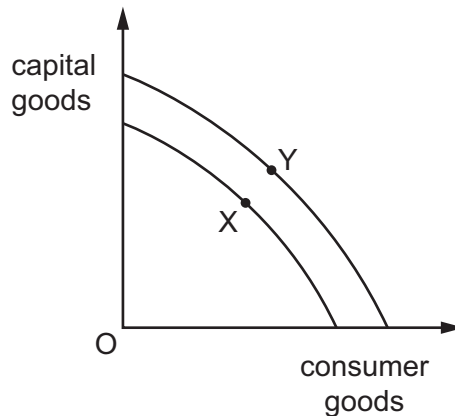
- The total mark for this paper is 30.
- Each correct answer will score one mark. A mark will not be deducted for a wrong answer.
- Any rough working should be done on this question paper.

This document has **12** pages. Blank pages are indicated.

- 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?

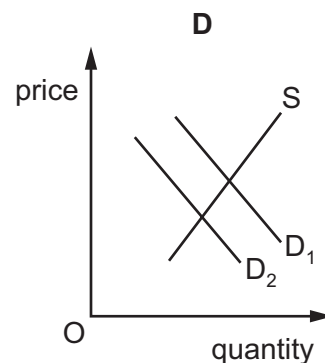
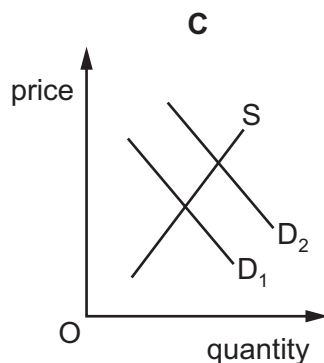
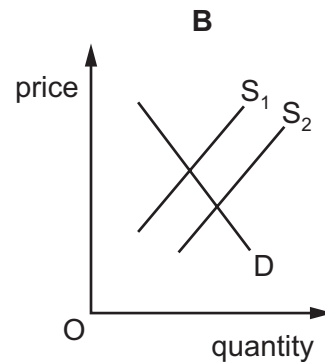
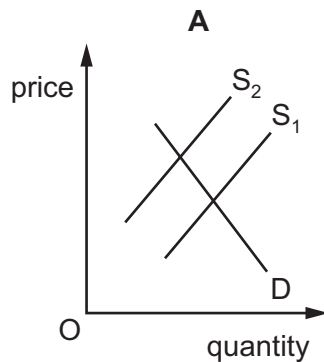
	decision 1	decision 2
<b>A</b>	a school recruits more teachers	a firm sets the prices for its products
<b>B</b>	a central bank reduces money supply	a government spends more on defence
<b>C</b>	a government increases tax rates	a farmer decides which crops to grow
<b>D</b>	a household cuts its energy use	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?

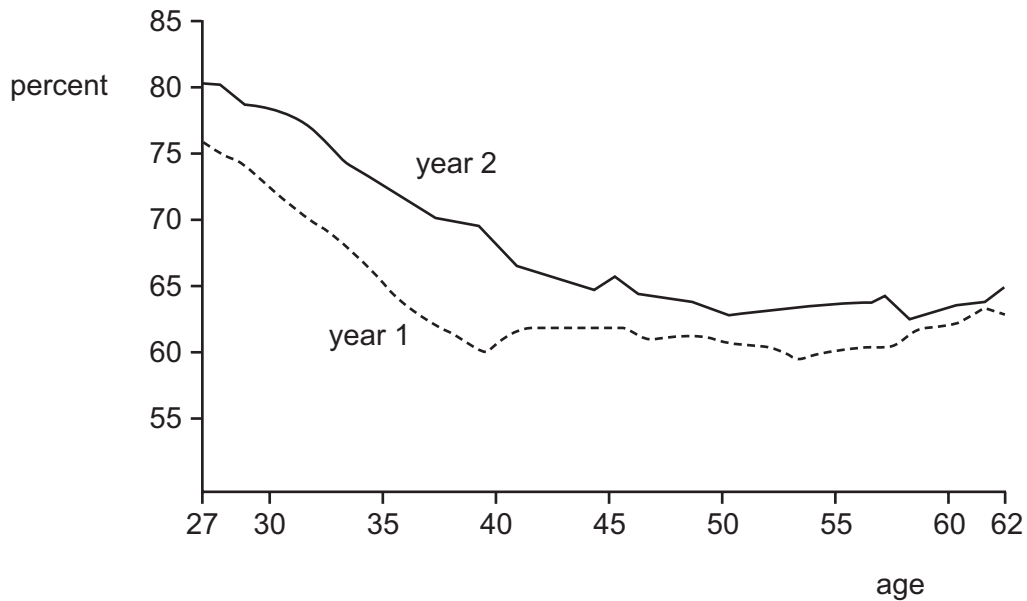


- 7 The price elasticity of supply of good X is 0.1. The good suddenly becomes very fashionable, leading to a large increase in demand.

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
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 (\$)
<b>A</b>	100	1000	1300
<b>B</b>	200	1800	2200
<b>C</b>	300	2700	3000
<b>D</b>	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
<b>A</b>	private	secondary
<b>B</b>	private	tertiary
<b>C</b>	public	secondary
<b>D</b>	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

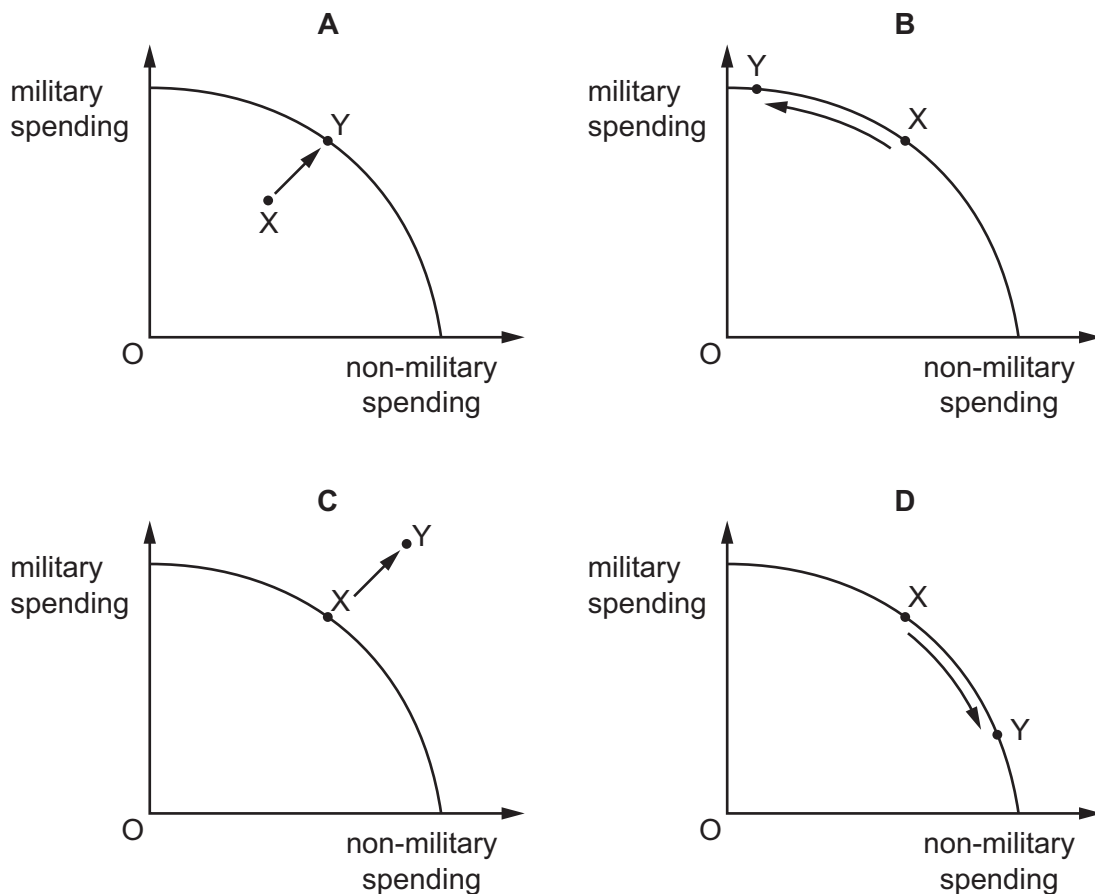
18 What is the main aim of supply-side policy?

- 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
<b>A</b>	fell	fell
<b>B</b>	fell	rose
<b>C</b>	rose	rose
<b>D</b>	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
<b>A</b>	falls	falls	rises
<b>B</b>	falls	rises	falls
<b>C</b>	rises	falls	falls
<b>D</b>	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
<b>A</b>	decreases	decreases
<b>B</b>	decreases	increases
<b>C</b>	increases	decreases
<b>D</b>	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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