



# 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.

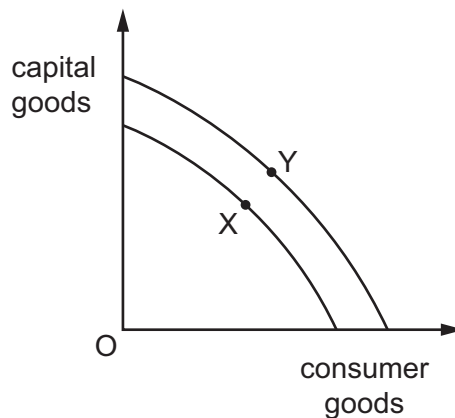
This document has **12** pages. Blank pages are indicated.



- 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?

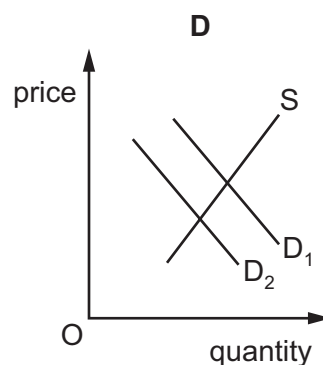
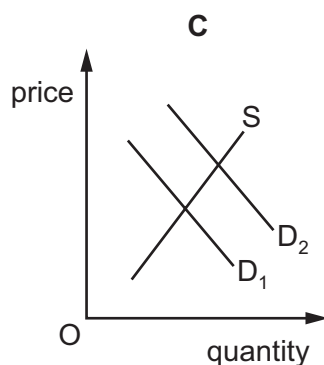
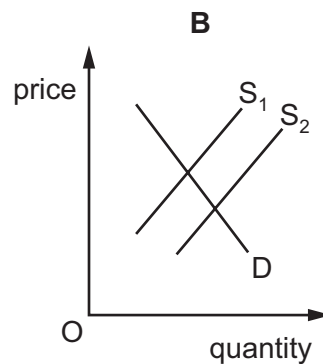
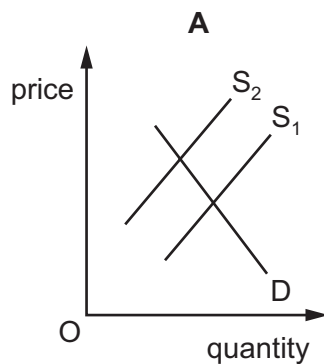
|          | decision 1                          | decision 2                              |
|----------|-------------------------------------|-----------------------------------------|
| <b>A</b> | a school recruits more teachers     | a firm sets the prices for its products |
| <b>B</b> | a central 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?

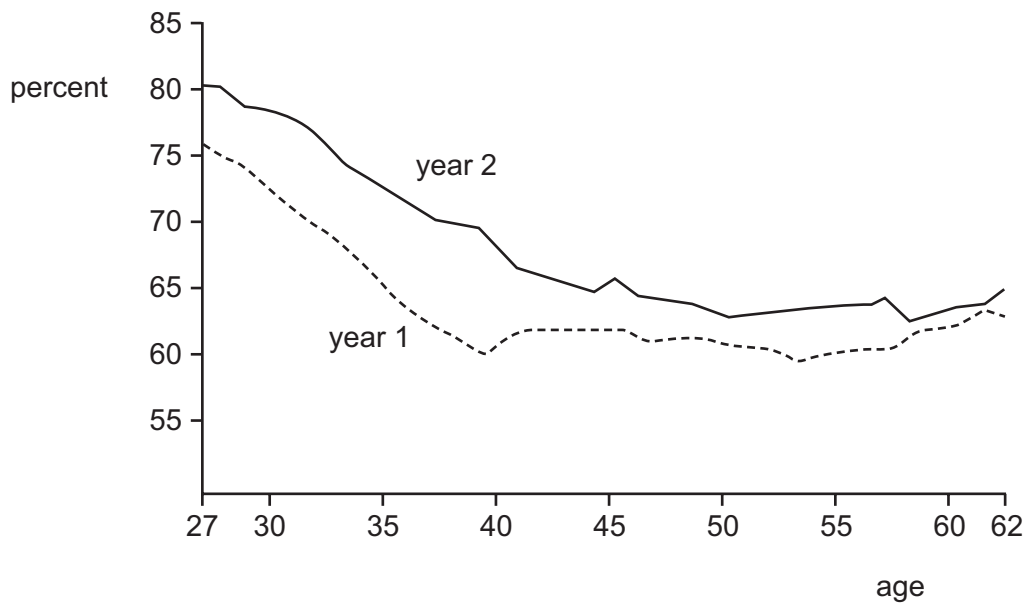


- 7 The price elasticity of supply of good X is 0.1. The good suddenly becomes very fashionable, leading to a large increase in demand.

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<br>pairs of shoes | total cost<br>(\$) | total revenue<br>(\$) |
|----------|-----------------------------------|--------------------|-----------------------|
| <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

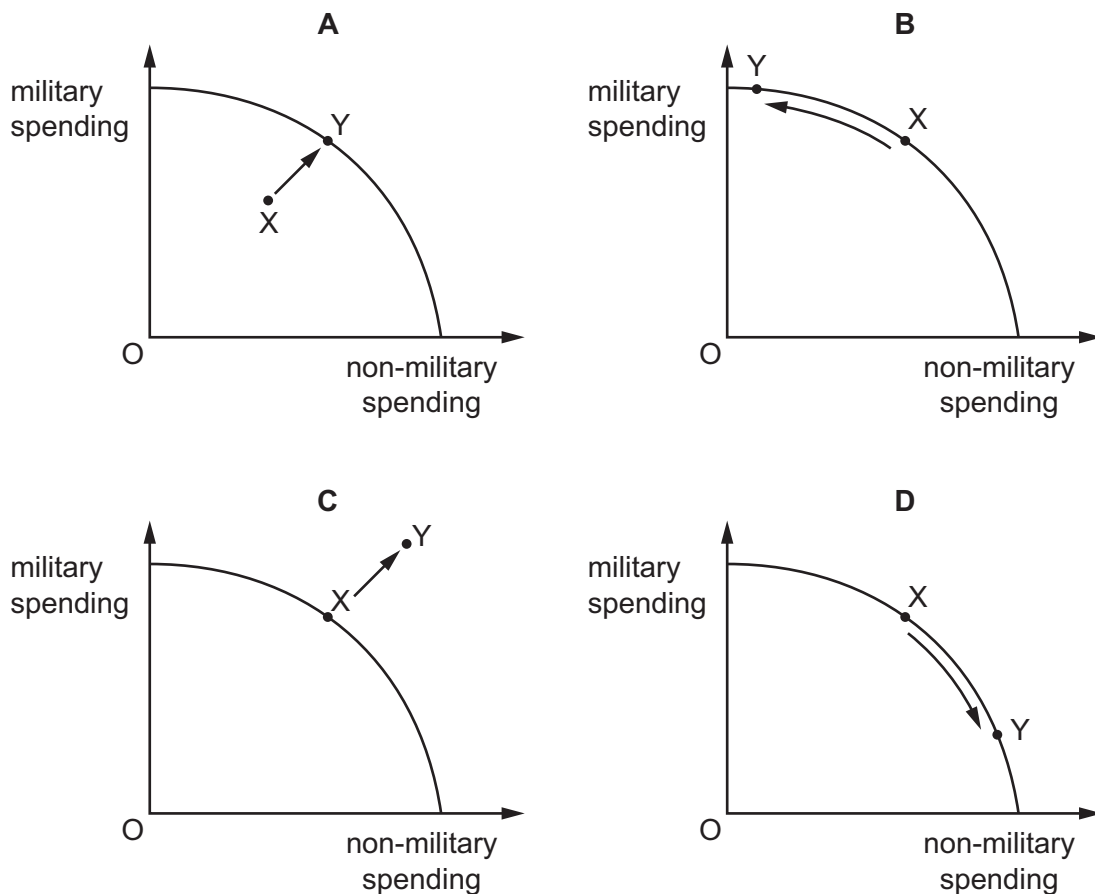
18 What is the main aim of supply-side policy?

- 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<br>inflation<br>% | rate of<br>interest<br>% | rate of<br>unemployment<br>% |
|-----------|---------------------------|--------------------------|------------------------------|
| 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<br>¥trillion | balance of services<br>¥trillion | balance of primary income<br>¥trillion | balance of secondary income<br>¥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

**BLANK PAGE**

**BLANK PAGE**

---

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at [www.cambridgeinternational.org](http://www.cambridgeinternational.org) after the live examination series.

Cambridge Assessment International Education is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which itself is a department of the University of Cambridge.