



Cambridge IGCSE™

ECONOMICS

Paper 1 Multiple Choice

0455/13

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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

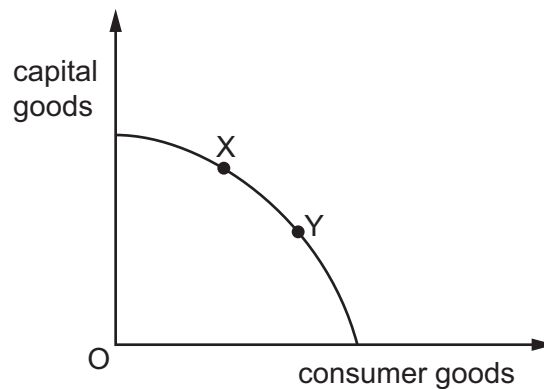
- The total mark for this paper is 30.
- Each correct answer will score one mark.
- Any rough working should be done on this question paper.

This document has **12** pages. Any blank pages are indicated.

- 1 A consumer has \$10 to spend. A meal costs \$9 and a drink costs \$5.

What would describe the situation if the consumer did **not** have enough money to purchase both the meal and the drink?

- A excess demand
 - B free goods
 - C market failure
 - D the economic problem
- 2 The diagram shows a production possibility curve (PPC) for a country. The country moved from position X to position Y on the PPC.

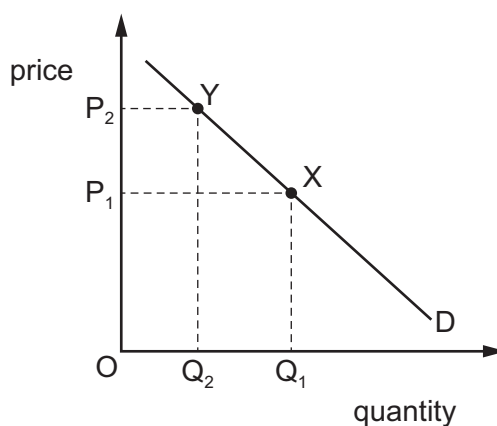


What is the **most** likely reason for this change?

- A Firms have decided to increase investment in technology.
 - B New economic resources have been discovered in the country.
 - C The government has brought about an increase in living standards.
 - D The government has encouraged long-term economic growth.
- 3 Which type of factor of production is a railway track?
- A capital
 - B enterprise
 - C labour
 - D land

- 4 Which statement must be correct if a market is in disequilibrium?
- A Quantity demanded and quantity supplied are equal.
 - B The government must intervene if anything is to be sold.
 - C There can be no changes to demand or supply.
 - D There is excess supply or excess demand.
- 5 What is a determinant of price elasticity of demand (PED)?
- A availability of stocks of the product
 - B change in the income of consumers
 - C degree of necessity of the product
 - D existence of monopoly
- 6 What would cause the supply curve for an agricultural product to shift to the right?
- A an increase in the costs of production
 - B an increase in the price of substitutes
 - C an increase in the price of the good
 - D an increase in the productivity of farms
- 7 What would increase the price elasticity of supply (PES) of a product?
- A an increase in the cost of inputs
 - B an increase in the firm's profits
 - C an increase in the number of close substitutes
 - D an increase in the time a product can be stored

- 8 The diagram shows a demand curve.



What does the movement from X to Y show?

- A** a decrease in quantity demanded due to an increase in price
 - B** a decrease in quantity demanded due to changes in the conditions of demand
 - C** an increase in quantity demanded due to changes in the conditions of demand
 - D** an increase in quantity demanded due to an increase in price
- 9 In a market there is a surplus of a good.
- Which change would cause the market to come to an equilibrium?
- A** a decrease in demand
 - B** a fall in price
 - C** a rise in price
 - D** an increase in supply
- 10 When the price of a good is \$10, the quantity demanded is 100 units per day.

Which combination of price change and price elasticity of demand will cause the largest increase in the quantity demanded for the good?

	price change	price elasticity of demand
A	price falls to \$9	0.8
B	price falls to \$9	1.2
C	price rises to \$11	0.8
D	price rises to \$11	1.2

- 11** A function of money is to act as a measure of value.

What does this mean?

- A** It is used for future savings.
- B** It is used to compare the worth of different goods.
- C** It is used to enable monthly payments for expensive goods.
- D** It is used to pay the price of a good.

- 12** In 2008–2009 the central bank of a developed country reduced interest rates from 5% to 0.5% per year to stimulate the economy.

How would this policy have affected the amount saved and the cost of borrowing by individuals?

	amount saved	cost of borrowing
A	decreased	decreased
B	decreased	increased
C	increased	decreased
D	increased	increased

- 13** Many small energy providers have closed down due to rising costs.

What is the likely effect of this on the price of energy and choice of energy providers for consumers, assuming there is no government intervention?

	price of energy	choice of energy providers
A	decreases	decreases
B	decreases	increases
C	increases	decreases
D	increases	increases

14 What is the **most** likely goal of a state-owned enterprise providing health services?

- A profits
- B public satisfaction
- C sales revenue
- D survival

15 Some governments allow monopoly markets to exist.

What is a reason for this?

- A to attract entry into the market
- B to fund research and development
- C to increase prices for consumers
- D to maximise monopoly profits

16 The table shows the costs incurred by a firm producing computers.

output (thousands)	total costs (\$ thousands)
0	20
1	1200
2	1350
3	1450

What are the fixed costs if 3000 computers are produced?

- A \$20 000 B \$1 430 000 C \$1 450 000 D \$4 020 000

17 A government increases its revenue by higher direct taxation of both personal incomes and company profits.

What is **most** likely to be the reason for this increase?

- A to control spending on specific consumer goods
- B to encourage business investment
- C to provide public and merit goods
- D to reduce pollution from industrial production

- 18 Income tax in a country gives all individuals an initial tax-free income allowance. Any income above this allowance is taxed at increasing rates as the incomes of individuals rise.

Which change to this income tax will be regressive?

- A decreasing the lowest rate of tax
- B decreasing the tax-free income allowance
- C increasing the tax-free income allowance
- D increasing the top rate of tax

- 19 A government lowers the rate of interest.

Who is **most** likely to be disadvantaged by this policy?

- A house buyers
- B manufacturers
- C retailers
- D savers

- 20 What is a supply-side policy measure?

- A a tariff on imported goods
- B an increase in indirect taxes
- C a contractionary monetary policy
- D the removal of barriers to entry to a market

- 21 What is the **most** likely consequence of economic growth?

- A more equal income distribution
- B more use of resources
- C reduced imports
- D reduced tax revenue

- 22 In high-income economies, cereal farming is highly productive but few workers are employed.

What could have caused this employment situation?

- A a fall in world demand for cereals
- B a lack of capital equipment
- C increased mechanisation of agriculture
- D large-scale migration from rural areas

- 23 Who is **most** likely to benefit during a period of inflation?

- A creditors (lenders)
- B debtors (borrowers)
- C fixed income earners
- D holders of cash

- 24 The table shows some economic indicators.

Which increase in the first indicator is **most** likely to lead to an increase in the second indicator?

	first indicator	second indicator
A	budget surplus	consumer saving
B	consumer spending	unemployment
C	inflation	trade surplus
D	productivity	living standards

- 25 Which combination would be **most** likely to increase the population of a country?

	birth rates	death rates	net immigration
A	high	high	positive
B	high	low	positive
C	low	high	negative
D	low	low	negative

26 Which economic consequence is **most** likely to result from an increasing proportion of the population being over the age of 65?

- A Government transfer payments will increase.
- B More facilities will be needed to retrain workers.
- C The total savings in the economy will increase.
- D There will be a rise in the economic growth rate.

27 What is **most** likely to encourage international specialisation?

- A similarities in climate in different countries
- B the ability to produce products more cheaply than other countries
- C the discovery of oil in a country that had no oil before
- D very high international transport costs

28 Country X established free trade agreements with other nations.

What would be the intended benefit of such agreements to country X?

- A increased labour shortages
- B increased tariff revenue
- C more efficient allocation of resources
- D protection from low wage competition

29 A country's foreign exchange rate appreciates significantly.

Which group in the country will directly benefit from this change?

- A a government department which only buys locally made goods
- B retailers who get all their supplies from foreign producers
- C workers in local companies that compete with foreign firms in the local market
- D workers in local companies that sell only in foreign countries

- 30** What is measured in the secondary income balance in a country's current account of the balance of payments?
- A** net contributions to international and regional organisations
 - B** net exports of goods and services
 - C** net foreign investment flows
 - D** net inflow of income from factors of production abroad

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