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Cambridge IGCSE™

ECONOMICS

0455/13

Paper 1 Multiple Choice

May/June 2023

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

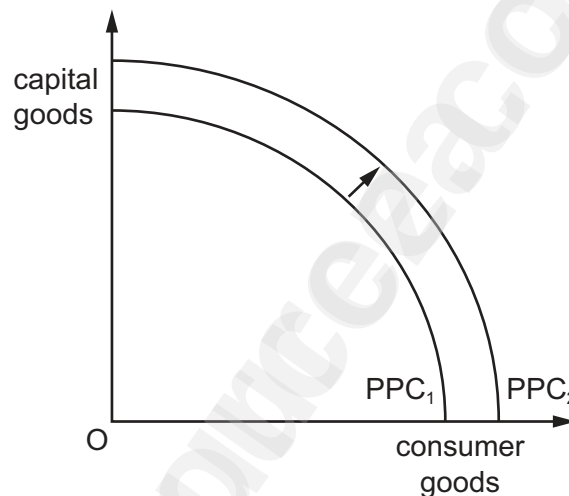
- The total mark for this paper is 30.
- Each correct answer will score one mark.
- Any rough working should be done on this question paper.

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

- 1 GDP per capita in Switzerland is high.

What is the reason why Swiss citizens still face the basic economic problem?

- A Income in Switzerland is unevenly distributed.
 - B Inflation in Switzerland is high.
 - C Swiss citizens expect high living standards.
 - D Swiss citizens have to make choices in consumption.
- 2 The production possibility curve of a country has shifted from PPC_1 to PPC_2 .



What could have caused this shift?

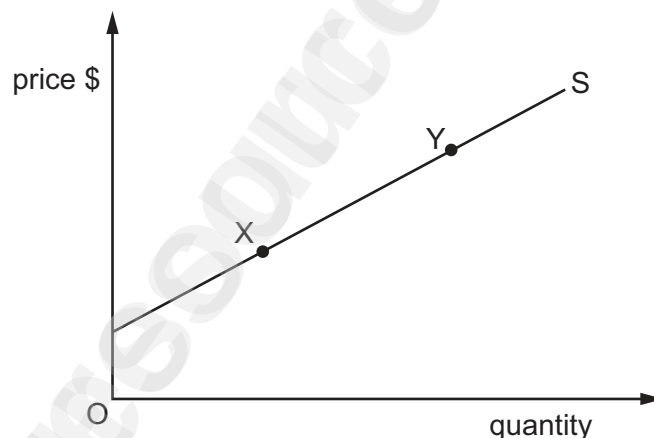
- A a decrease in the rate of unemployment
 - B a fall in the birth rate
 - C improved education
 - D outdated technology not being replaced
- 3 What is **most** likely to increase the geographical mobility of labour?
- A an increase in the amount of credit available to firms
 - B an increase in the quantity of low-cost housing
 - C an increase in spending by firms on research and development
 - D an increase in spending by government on apprenticeships and training

- 4 What is **not** a microeconomic decision?
- A A firm decides to increase the price of its product.
 - B A government decides to increase interest rates.
 - C A household decides to reduce its demand for fuel.
 - D A trade union decides to go on strike.

- 5 What is a feature of a market in equilibrium?

- A demand exceeds supply
- B no profits are earned
- C the market will clear
- D there will be a surplus of products

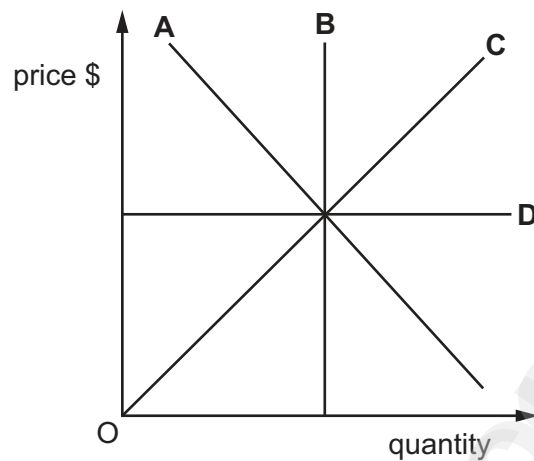
- 6 The diagram shows the supply curve for a good.



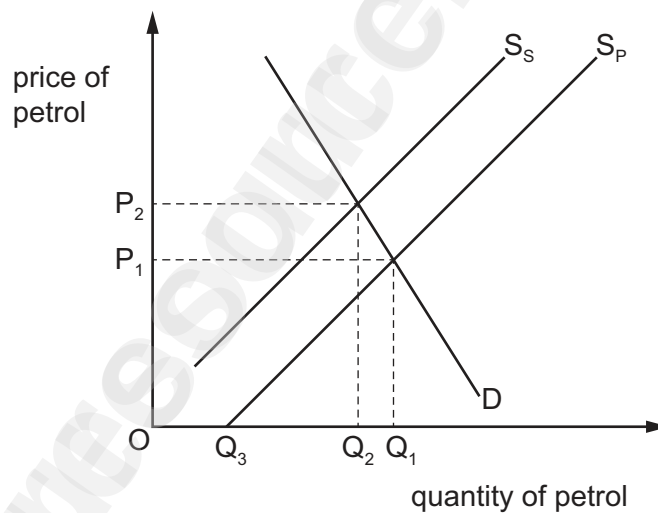
What is the name and cause of the movement from X to Y?

- A a contraction of supply caused by a decrease in demand
- B a contraction of supply caused by an increase in demand
- C an extension of supply caused by a decrease in demand
- D an extension of supply caused by an increase in demand

- 7 In the diagram, which supply curve has the perfectly inelastic supply?



- 8 The diagram shows the market for petrol (gasoline). S_P is the supply of petrol based on the private cost of petrol production and S_S is the supply of petrol based on the social cost of production.



Which distance shows the market failure caused by the production of petrol?

- A** OQ_1 **B** OQ_2 **C** Q_2Q_1 **D** Q_3Q_1

- 9 In a given year, the world output of coal was 3.94 billion metric tonnes at an average yearly price of \$252 per metric tonne.

Several years later, world output was 3.66 billion metric tonnes at an average yearly price of \$120 per metric tonne.

What might have caused such a fall in the price of coal?

- A almost half the world's coal reserves were in just two countries
B the exhaustion of coal seams throughout the world
C the switch to renewable sources of energy
D the use of coal as a raw material as well as a fuel
- 10 A government believes that people eat too much sugar but not enough fruit.

Which combination of policies would the government introduce?

	sugar	fruit
A	increase its tax	increase its tax
B	increase its tax	subsidise its production
C	subsidise its production	increase its tax
D	subsidise its production	subsidise its production

- 11 Which row shows a characteristic of money and a function of money?

	characteristic	function
A	acceptability	medium of exchange
B	cash	measure of value
C	divisibility	portability
D	store of value	bank deposit

- 12 When will a central bank act as lender of last resort to a commercial bank?

- A when a commercial bank faces a liquidity crisis
B when a commercial bank fails to make a profit
C when a commercial bank needs to raise share capital
D when a commercial bank reduces its lending rates

- 13 What is likely to increase the bargaining power of a trade union?
- A when the economy is experiencing rising cyclical unemployment
 - B when the labour market moves from long-term to short-term contracts of employment
 - C when the price elasticity of demand for the product is price-elastic
 - D when the trade union supplies all the labour required by the employer
- 14 What is a likely reason why firms do **not** grow in size?
- A External diseconomies of scale occur at high levels of output.
 - B Internal economies of scale occur at high levels of output.
 - C Internal economies of scale occur at low levels of output.
 - D Internal diseconomies of scale occur at low levels of output.

- 15 The table shows the activities of four firms.

firm 1	firm 2	firm 3	firm 4
shoe manufacture	website design	shoe manufacture	shoe retailer

Which combination of firms would be an example of horizontal integration?

- A 1 and 2 B 1 and 3 C 2 and 4 D 3 and 4
- 16 What is a reason why firms making similar products sometimes locate near each other?
- A Competition is decreased.
 - B There are external economies of scale.
 - C There are internal economies of scale.
 - D Transport costs may be eliminated.

- 17 A government wishes to increase its spending on public goods.

Which sector should have a spending increase to achieve this?

- A education
- B healthcare
- C national defence
- D railways

- 18 Which government measure would lead directly to more exports of goods?

- A a devaluation of the currency
- B a restriction of bank credit creation
- C an increase in the rate of interest
- D the issue of more bank notes and coins

- 19 A government wishes to stimulate economic recovery.

Which action will assist this?

- A decreasing government investment
- B decreasing income tax
- C increasing indirect taxation
- D increasing interest rates

- 20 What is the **most** likely effect on an economy of a successful supply-side policy?

- A an increase in the general price level
- B an increase in the interest rate
- C an increase in the money supply
- D an increase in the potential GDP

- 21 A country is experiencing high economic growth caused by an increase in consumer spending. What are the **most** likely effects on inflation and unemployment?
- A inflation falls and unemployment falls
 - B inflation falls and unemployment rises
 - C inflation rises and unemployment falls
 - D inflation rises and unemployment rises
- 22 Which pair is **most** likely to be provided by the private sector in a mixed economy?
- A courts and prisons
 - B hospitals and tax collection
 - C insurance and banks
 - D weapon manufacture and defence
- 23 An economy is experiencing a sustained fall in the general price level. Which term is used to describe this?
- A deflation
 - B depreciation
 - C market disequilibrium
 - D recession
- 24 What is **most** likely to cause an increase in relative poverty?
- A an increase in state benefits
 - B an increase in the national minimum wage
 - C pension increases below the rate of inflation
 - D people working beyond retirement age
- 25 What might explain the high population growth in some developing countries?
- A high birth rates and falling death rates
 - B low immigration and high emigration
 - C falling birth rates and rising death rates
 - D falling life expectancy

- 26 Which combination of factors might cause a country to be classified as developing rather than developed?
- A a government budget deficit and a low death rate
 - B a high birth rate and a low death rate
 - C a large population and a current account deficit
 - D a poor education system and a low standard of living
- 27 What is certain to encourage a higher level of international trade?
- A conservation of resources and unstable exchange rates
 - B exploitation of resources and wider use of quotas
 - C increased support for home industries and increased tariffs
 - D more specialisation and falling transport costs
- 28 The import of a product from another country has been banned.
Which term describes this method of protection?
- A embargo
 - B exchange control
 - C quota
 - D tariff
- 29 A developing country's two major sources of income from international trade are fishing and tourism.
If the country's exchange rate depreciated, what is likely to happen?
- A Imported goods would become cheaper for local people.
 - B The country would definitely become poorer.
 - C The price of fish sold as exports would become cheaper.
 - D Tourists to the country would be discouraged by higher prices.

- 30 What is the correct formula for calculating the current account of the balance of payments?
- A balance of trade in goods + balance of trade in services + primary income balance + secondary income balance
 - B government revenue from abroad – domestic government spending
 - C $\frac{\text{percentage change in quantity demanded of exports}}{\text{percentage change in price of imports}}$
 - D total exports of services + total imports of goods

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