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Cambridge IGCSE™

ECONOMICS

0455/13

Paper 1 Multiple Choice

May/June 2024

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 How can the economic problem be described?

- A as insufficient capital to satisfy our wants
- B as insufficient income to satisfy all our needs
- C as insufficient resources to satisfy our unlimited wants
- D as insufficient wealth to satisfy all our needs

2 What would be included in the factor of production land?

- A bread
- B factory building
- C sports arena
- D wheat

3 A deposit of shale oil is discovered in an area of farming.

The following estimates are made for a ten-year period.

- If the land is used only for farming, it would yield income after tax of \$10 billion.
- If the land is used only for shale oil extraction, it would yield income after tax of \$40 billion.
- The government would receive \$5 billion in taxes from farming and \$10 billion in taxes from shale oil extraction.

What is the opportunity cost of using the land only for farming?

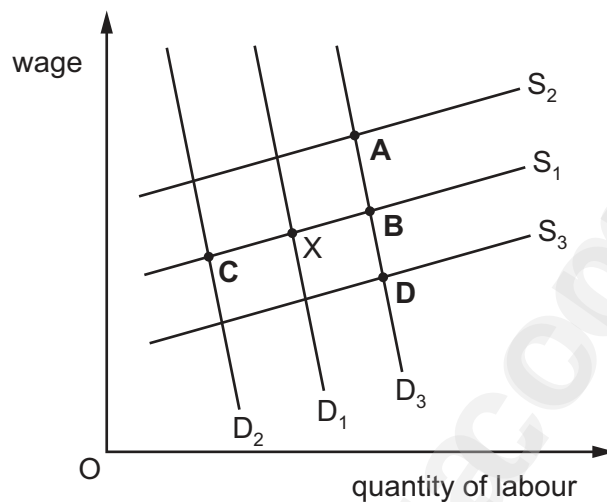
- A \$25 billion B \$30 billion C \$35 billion D \$45 billion

4 What three key questions determine resource allocation?

- A what, how, for whom
- B what, when, for whom
- C where, what, how
- D where, how, for whom

- 5 In the diagram, X represents the original equilibrium point in the labour market for engineers. An increase in the skills of engineers results in an increase in productivity.

Which point represents the new equilibrium in the labour market for engineers?



- 6 An explosion in an important oil pipeline causes the world price of a barrel of oil to increase from \$50 to \$100. Before the explosion, the world demand for oil was 100 million barrels per day. The world price elasticity of demand for oil is -0.2 .

What is the new global demand for oil (barrels per day) as a result of the explosion?

- A 20 million
B 80 million
C 90 million
D 120 million
- 7 What is included in the study of microeconomics?
- A demand-pull inflation
B diseconomies of scale
C increasing unemployment
D the size of the budget deficit

- 8 The price elasticity of supply (PES) of a product is 1.0.

The price of this product is \$10 and the quantity supplied is 200 units.

If the price of the product increases to \$11, by how many units will the quantity supplied increase?

- A 1 unit
- B 10 units
- C 20 units
- D 200 units

- 9 The government wishes to reduce the harmful emissions from road transport.

Which measure would be effective in helping to achieve this aim?

- A increased expenditure on oil exploration
- B introducing a subsidy on public transport
- C reduced taxation on the production of private vehicles
- D reducing incentives to purchase electric vehicles

- 10 What function does a central bank provide for an economy?

- A It issues bank notes to encourage spending.
- B It manages the debt of private sector firms.
- C It offers high interest rate accounts to encourage savings.
- D It provides mortgages to encourage home ownership.

- 11 A firm changes from producing individual pieces of wooden furniture by hand to a mechanised production process using the division of labour.

What is the most likely set of outcomes as a result?

	outcome 1	outcome 2	outcome 3
A	worker motivation will increase	average total cost will increase	total costs will increase
B	worker motivation will decrease	average total cost will increase	total costs will increase
C	worker motivation will decrease	average total cost will decrease	total costs will increase
D	worker motivation will decrease	average total cost will decrease	total costs will decrease

12 What is the best definition of a trade union?

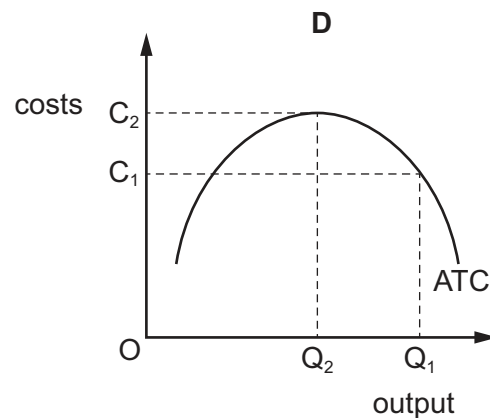
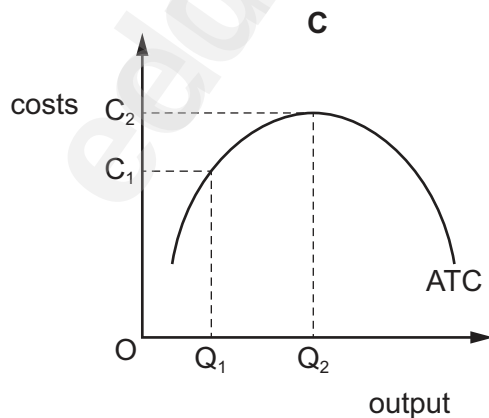
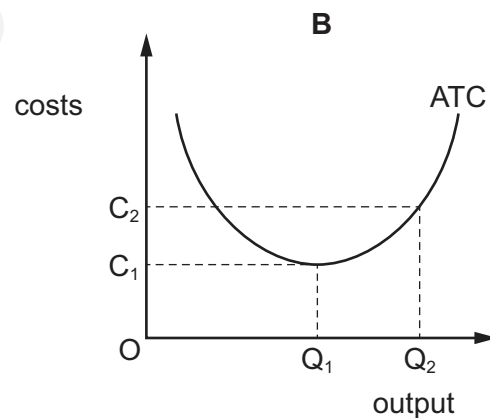
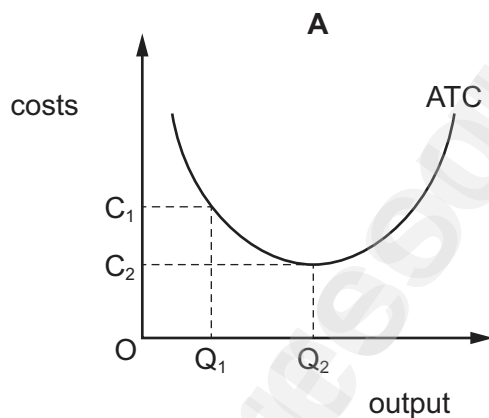
- A a group of countries that negotiates trade agreements
- B a group of firms that negotiates removing obstacles to trade
- C a group of workers that negotiates collectively on pay
- D a group of workers that negotiates fixing prices

13 What is most likely to be a disadvantage when operating a small firm?

- A a lack of external economies of scale
- B a lack of external diseconomies of scale
- C a lack of internal economies of scale
- D a lack of internal diseconomies of scale

14 A firm increased output from Q_1 to Q_2 and achieved economies of scale.

How is this shown on the firm's average total cost curve (ATC)?

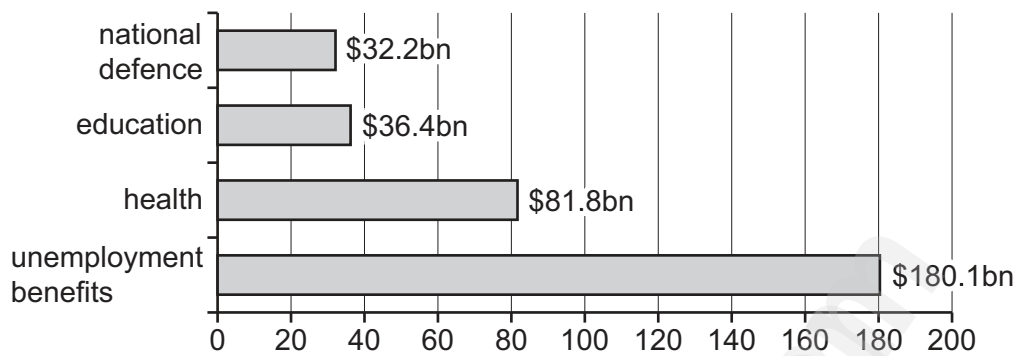


- 15** A busy restaurant employs a large number of highly skilled chefs to individually prepare high quality meals.

What is an advantage to the restaurant of this type of production?

- A** A highly skilled chef is paid more than an unskilled cook.
 - B** It is easier to prepare a wide variety of meals.
 - C** It takes time to train a highly skilled chef.
 - D** The quality of a meal varies according to which chef prepares it.
- 16** How is the average cost of a product calculated?
- A** by adding total variable and total fixed costs
 - B** by dividing total cost by output
 - C** by multiplying total variable cost by output
 - D** by subtracting fixed cost from total cost
- 17** Why might measures to reduce unemployment also make inflation rise?
- A** They encourage cheap imports.
 - B** They increase demand.
 - C** They reduce firms' costs.
 - D** They require wages to fall.

18 The diagram shows selected areas of government spending for a country.



What was the total government spending on merit goods?

- A \$32.2 billion
- B \$81.8 billion
- C \$118.2 billion
- D \$261.9 billion

19 What correctly explains the effect of monetary policy measures on macroeconomic aims?

- A A higher exchange rate will make imports more expensive and improve the balance of payments.
- B An increase in interest rates will encourage investment and lead to higher economic growth.
- C An increase in the money supply in an economy without spare capacity will result in demand-pull inflation.
- D Higher interest rates result in less income from savings and therefore higher unemployment.

20 What is the most likely impact of lower direct taxes on demand and on supply?

	demand	supply
A	decrease	decrease
B	decrease	increase
C	increase	increase
D	increase	decrease

- 21 The table shows the annual change in Gross Domestic Product (GDP) before adjustments for inflation have been made and the annual rate of inflation in four countries.

Which country has the highest rate of growth in real GDP?

	change in GDP %	inflation rate %
A	5	6
B	10	7
C	15	14
D	20	40

- 22 Which type of unemployment is generally regarded by economists as the **least** serious for the economy?

- A** cyclical
- B** frictional
- C** regional
- D** structural

- 23 The Consumer Prices Index (CPI) for a country rose during one year from 125 to 150.

What was the country's rate of inflation?

- A** 20% **B** 25% **C** 125% **D** 150%

- 24 What does the Human Development Index (HDI) indicate?

- A** economic development
- B** level of unemployment
- C** living standards
- D** rate of inflation

- 25 What best describes relative poverty?

- A** A 12-year-old boy has never been able to access a doctor or school.
- B** A person earns less than the minimum defined level of income.
- C** A person has a lower living standard than the minimum level acceptable in a society.
- D** A person is unable to afford the basic necessities of life.

26 The table shows population statistics for three countries in a particular year.

country	population size (millions)	birth rate (per thousand of population per year)	death rate (per thousand of population per year)	net migration
X	20	10	8	+20 000
Y	30	20	18	+50 000
Z	40	40	35	–1 000 000

What can be concluded from the table?

- A country X has fewer females than country Y
- B country Y has the smallest population increase
- C country Y has the highest living standards
- D country Z has a decreasing population

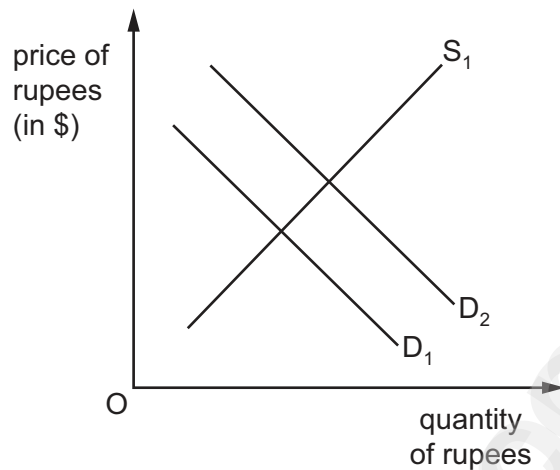
27 What is most likely to promote international specialisation?

- A similarities in climate in different countries
- B similarities in the availability of natural resources in different countries
- C instability in foreign exchange rates
- D the abolition of tariffs and customs duties

28 What are the effects on price and equilibrium quantity of the imposition of an import tariff on a good?

	price	equilibrium quantity
A	decreases	decreases
B	decreases	increases
C	increases	decreases
D	increases	increases

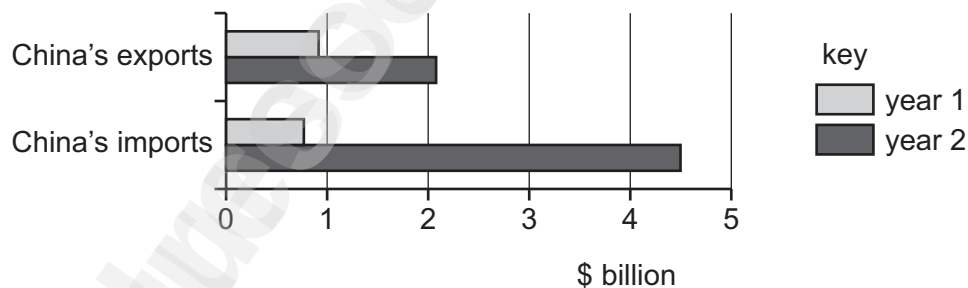
29 The diagram shows the market for the Indian rupee in US\$.



What will cause the demand curve for rupees to shift from D_1 to D_2 ?

- A a fall in Indian exports to the US
- B a fall in the US inflation rate
- C a rise in foreign direct investment into India
- D a rise in interest rates in the US

30 The diagram shows China's trade with Brazil for two years.



What happened to China's trade balance with Brazil between year 1 and year 2?

- A It experienced a falling surplus.
- B It experienced a rising deficit.
- C It moved from deficit to surplus.
- D It moved from surplus to deficit.

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