**Cambridge International Examinations**
Cambridge International General Certificate of Secondary Education

**ECONOMICS** **0455/13**

Paper 1 Multiple Choice **October/November 2018**

**45 minutes**

Additional Materials: Multiple Choice Answer Sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

**READ THESE INSTRUCTIONS FIRST**

Write in soft pencil.
Do not use staples, paper clips, glue or correction fluid.
Write your name, Centre number and candidate number on the Answer Sheet in the spaces provided unless this has been done for you.
DO **NOT** WRITE IN ANY BARCODES.

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 separate Answer Sheet.

**Read the instructions on the Answer Sheet very carefully.**

Each correct answer will score one mark. A mark will not be deducted for a wrong answer.
Any rough working should be done in this booklet.

This document consists of **10** printed pages and **2** blank pages.

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CAMBRIDGE
International Examinations

**1** Which example of a factor of production in the fishing industry is correct?

View solution

| | factor | example |
|---|---|---|
| **A** | capital | charges on loan for fishing boat |
| **B** | enterprise | salaries of fish warehouse managers |
| **C** | labour | profits of fish shop owners |
| **D** | land | fish in the sea |

**2** Hospital services are provided by the government and paid for through taxation. People cannot always get the treatment they require because of long waiting lists.

View solution

Of what is this an example?

**A** external cost

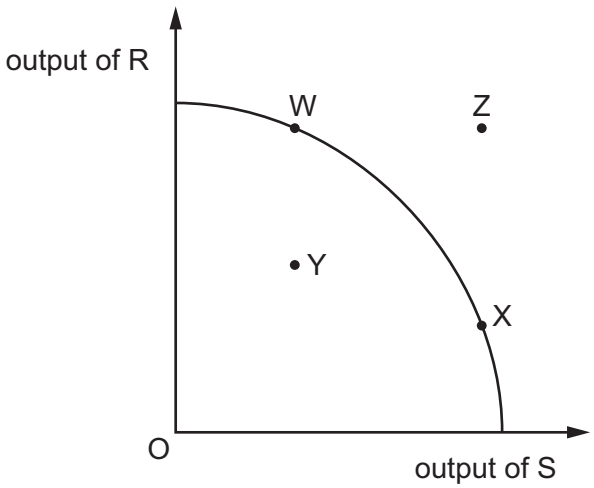
**B** market system

**C** perfectly inelastic supply

**D** scarcity

**3** The diagram shows a production possibility curve (PPC) for an economy.

View solution




Which change on the diagram could represent an increase in unemployment?

**A** W to X **B** W to Y **C** Y to X **D** Y to Z

**4** Who determines what goods and services are produced in a market economy?

View solution

**A** consumers

**B** employees

**C** government

**D** trade unions

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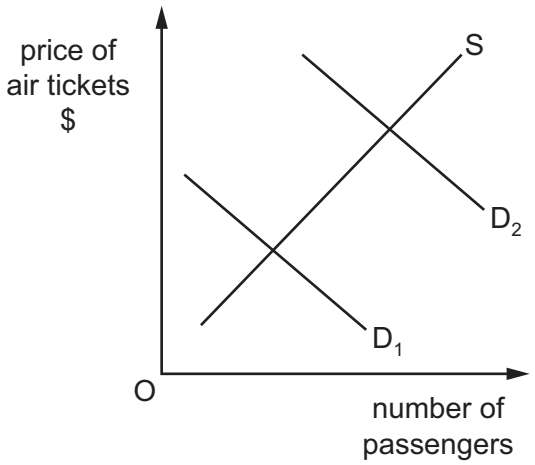
**5** The diagram shows the demand for and the supply of air travel.

View solution




What could cause a shift of the demand curve from $D_1$ to $D_2$?

**A** an increase in airline costs

**B** an increase in airport taxes

**C** an increase in incomes

**D** an increase in worldwide terrorism

**6** In 2015, the world price of oil fell rapidly due to changes in the conditions of demand and supply. One change was the use of a new method of extraction called fracking.

View solution

Which event would **not** have contributed to the fall in prices?

**A** China's growth slowed leading to lower oil imports.

**B** Saudi Arabia increased the volume of its oil supplies.

**C** UK protest groups prevented the introduction of fracking projects.

**D** USA became more self-sufficient in oil due to fracking and reduced imports.

**7** The table shows the demand and supply for spices in a market in Africa.

View solution

| price per kg (US$) | quantity demanded (kg) | quantity supplied (kg) |
|---|---|---|
| 10 | 50 | 10 |
| 20 | 40 | 20 |
| 30 | 30 | 30 |
| 40 | 20 | 40 |

When the price rises from US$20 to US$30 per kg, what is the price elasticity of demand (PED) for spices?

**A** 0.25 **B** 0.5 **C** 1.0 **D** 2.0

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**8** What is a function of a country's stock exchange?

View solution

**A** to act as lender of last resort to commercial banks

**B** to provide a market for the purchase and sale of shares

**C** to provide short-term loans for investment

**D** to set interest rates within the country

**9** What might cause an increase in the earnings of a doctor in a government health service?

View solution

**A** an increasing number of doctors graduate from university each year

**B** an increasing number of people need health care

**C** the government spends less on the nation's health services

**D** the population becomes more aware of healthy eating

**10** What would put a trade union in a strong bargaining position to negotiate higher wages for its members in a particular firm?

View solution

**A** The demand for the product produced by the workers has an inelastic demand.

**B** The economy is experiencing high unemployment.

**C** The proportion of the firm's workers in the union is low.

**D** Wage costs are a high proportion of total costs for firms in the industry.

**11** What is **most** likely to encourage the immediate purchase of an expensive item such as a new car?

View solution

**A** anticipating a fall in the rate of inflation

**B** expecting interest rates to fall

**C** making it easier to obtain a loan

**D** needing to plan for unexpected emergencies

**12** The table shows characteristics of a market.

View solution

What are the characteristics of a perfectly competitive market?

| | product | number of buyers | number of sellers | role of firm |
|---|---|---|---|---|
| **A** | identical | many | many | price taker |
| **B** | identical | one | many | price maker |
| **C** | similar | many | many | price taker |
| **D** | unique | few | few | price maker |

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**13** A computer chip manufacturer expands by taking over a computer chip designer.

View solution

Of what is this an example?

**A** backward vertical integration

**B** diversifying integration

**C** forward vertical integration

**D** horizontal integration

**14** The table shows a firm's average revenue and average cost at different levels of output.

View solution

When all output is sold, which level of output gives maximum profit?

| | output (units) | average revenue (US$) | average cost (US$) |
|---|---|---|---|
| **A** | 5 | 10 | 30 |
| **B** | 10 | 20 | 20 |
| **C** | 15 | 25 | 15 |
| **D** | 20 | 30 | 18 |

**15** Which statement about total fixed cost is correct?

View solution

**A** It falls as output increases.

**B** It is calculated by adding total cost and total variable cost.

**C** It is calculated by dividing total cost by output.

**D** It must be paid even if output is zero.

**16** What is **most** likely to be an example of a progressive tax?

View solution

**A** customs duties on imported goods

**B** excise duties on cigarettes

**C** income tax

**D** sales tax

**17** When is a government said to balance its budget?

View solution

**A** when all goods and services are taxed equally

**B** when economic growth is the same in all regions of the economy

**C** when its total income equals its total expenditure

**D** when total exports equal total imports

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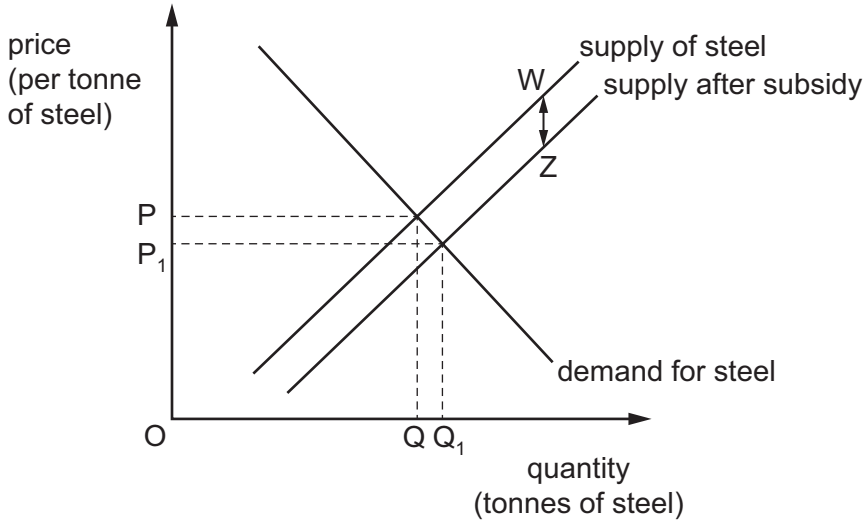
**18** A government aims to boost production and increase sales of steel by subsidising private producers. A subsidy equal to W – Z per tonne is paid.

View solution

According to the diagram, what would be the value of sales of steel after the subsidy?




**A** $OP \times OQ$ **B** $OP_1 \times OQ_1$ **C** $WZ \times OQ$ **D** $WZ \times OQ_1$

**19** In which case is success for the government in achieving the first aim likely to cause problems in achieving the second?

View solution

| | first aim | second aim |
|---|---|---|
| **A** | full employment | price stability |
| **B** | high economic growth | full employment |
| **C** | price stability | stable balance of payments |
| **D** | stable balance of payments | more even distribution of income |

**20** When is a recession said to occur?

View solution

**A** Economic growth in the economy falls for at least two consecutive quarters.

**B** Gross domestic product (GDP) falls for at least two consecutive quarters.

**C** The current account of the balance of payment is in deficit for at least two consecutive quarters.

**D** The government experiences a budget deficit for at least two consecutive quarters.

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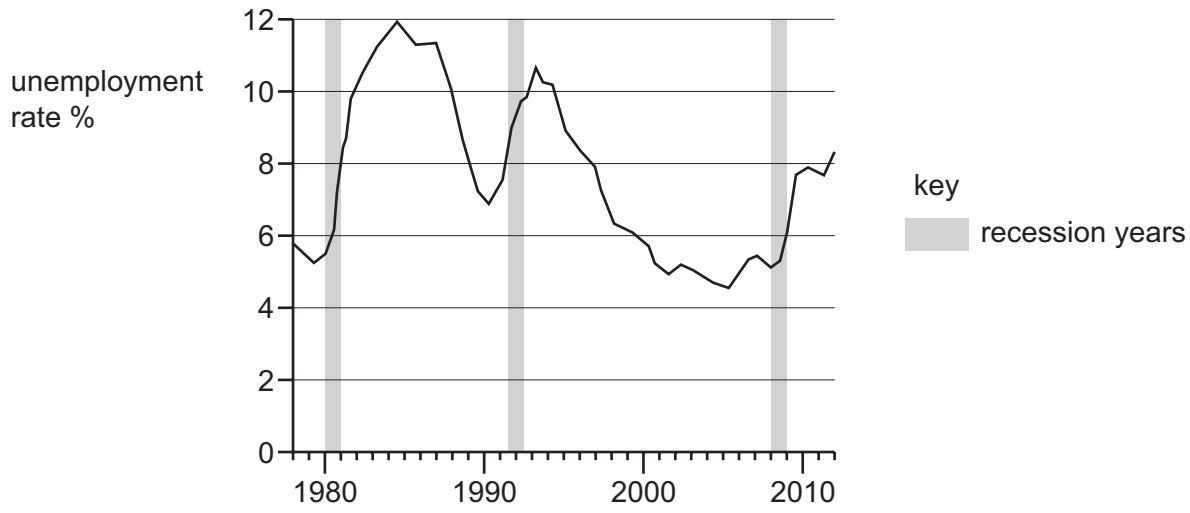
**21** Which country is suffering from the worst deflation?

View solution

| | annual change in indicator | | |
|---|---|---|---|
| | inflation % | unemployment rate % | real GDP per capita (US$) % |
| **A** | –5 | +3 | –3 |
| **B** | –2 | –2 | –2 |
| **C** | +2 | –3 | +1 |
| **D** | +12 | +10 | +3 |

**22** The diagram shows the rate of unemployment and the periods of recession in a country between 1978 and 2012.

View solution




What can be concluded from the diagram?

**A** Each recession lasted for more than two years.

**B** Recessions occurred at regular intervals.

**C** The unemployment rate peaked in a recession period.

**D** The unemployment rate rose during recession periods.

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**23** A country experienced its usual August increase in the rate of unemployment. Unfortunately this was followed by the loss of jobs resulting from the regular downturn in global economic activity.

View solution

Which types of unemployment occurred?

| | first type of unemployment (August) | second type of unemployment (global downturn) |
|---|---|---|
| **A** | cyclical | structural |
| **B** | frictional | seasonal |
| **C** | seasonal | cyclical |
| **D** | structural | frictional |

**24** What is the **most** likely effect of raising the retirement age in a country?

View solution

**A** government spending increases

**B** net immigration increases

**C** spending on pensions increases

**D** working population increases

**25** What describes absolute and relative poverty?

View solution

| | absolute poverty | relative poverty |
|---|---|---|
| **A** | when there are low birth rates, high death rates, and high levels of migration | when there are high birth rates, low death rates, and low levels of migration |
| **B** | when a person does not have enough money for food, shelter, and clothes | when a person earns less than others in the same society |
| **C** | when everyone has an income below US$1.90 a day | when half the population has an income of US$1.90 a day |
| **D** | when necessities cannot be afforded | when luxuries cannot be afforded |

**26** Developing countries are sometimes given aid by charities and foreign governments.

View solution

Which aid programme would be **least** likely to lead to long-term economic growth?

**A** the building of an irrigation system

**B** the construction of a new airport

**C** the distribution of gifts of food

**D** the training of technical staff

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**27** A government imposes a limit of 2 million on the number of smartphones imported into the country.

View solution

Which term is given to this limitation?

**A** ban

**B** embargo

**C** quota

**D** tariff

**28** What is **most** likely to happen if South Korea builds a factory in Switzerland that becomes profitable?

View solution

**A** South Korea's imports of goods will decrease.

**B** South Korea's investment income will increase.

**C** Switzerland's trade balance in goods will worsen.

**D** Switzerland's trade balance in services will improve.

**29** In July 2015, Australia's balance of trade with the rest of the world was –2809 billion Australian dollars. In January 2016 it was –3294 billion Australian dollars.

View solution

What describes Australia's balance of trade over this period?

| | balance of trade | trend |
|---|---|---|
| **A** | deficit | improving |
| **B** | deficit | worsening |
| **C** | surplus | improving |
| **D** | surplus | worsening |

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**30** The table shows the tariffs imposed on imported tropical fruit in the European Union (EU) according to the degree of processing.

View solution

| | EU tariffs (% rate) |
|---|---|
| fresh tropical fruit | 8.0 |
| canned tropical fruit | 11.3 |
| bottled tropical fruit drinks | 23.6 |

What might be the reason for this pattern of tariffs?

**A** to encourage imports of processed products into the EU

**B** to encourage tropical countries' exports

**C** to help manufacturing industries in the EU

**D** to help tropical countries develop manufacturing industries

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