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Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ECONOMICS **0455/13**

Paper 1 Multiple Choice **May/June 2015**

45 minutes

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

* 9 8 2 2 9 2 7 6 6 7 *

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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1 Each of the factors of production earns an income.

What are the incomes for capital and enterprise?

	capital	enterprise
A	interest	profit
B	interest	wages
C	profit	interest
D	profit	rent

2 Malaysia is a mixed economy.

Which statement about a mixed economy is necessarily correct?

A private industry will provide most of the manufactured goods

B the government will provide public goods and may provide merit goods

C the primary sector will employ most workers

D the transport network will be heavily subsidised

3 Water is a scarce resource in Singapore because the island's small geographical area means there is little land on which to collect water for its 4.8 million people.

Which method would be **least** successful in tackling its water scarcity?

A exempting large families from paying water taxes

B importing water from neighbouring countries

C introducing a water tax that rises as consumption rises

D redirecting funds from education to schemes to purify rainwater

4 A person makes sandwiches at home for five hours each day. She makes 20 sandwiches per hour, and she sells each sandwich for $2 each.

What is the opportunity cost if she takes a holiday on a working day?

A $2

B $40

C 20 sandwiches

D 100 sandwiches

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5 In 2011, China's steel mills bought more coal in order to increase their output. China is the world's largest consumer of coal.

How would this change be shown on a demand and supply diagram for coal?

A a fall in price with a movement along the supply curve

B a movement along the demand curve with a rise in price

C a rise in price with a shift in the supply curve to the left

D a shift in the demand curve to the right with a rise in price

6 In recent years, the demand for cars in Indonesia has become more price inelastic while the supply of cars has become more price elastic.

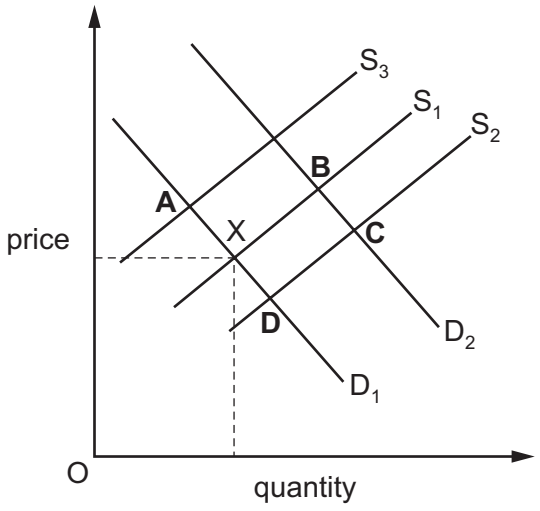
Which combination of events could have caused these changes?

	quality of public transport	time taken to produce a car
A	decreased	decreased
B	decreased	increased
C	increased	decreased
D	increased	increased

7 The diagram shows the market for fresh fish in the Caribbean with initial equilibrium point X.

A new type of fishing boat increases production, which reduces costs.

Which point represents the new equilibrium?



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8 A large supermarket applied to build on land which was in an area of natural beauty. The local government allowed the building, even though the natural beauty of the area would be lost, because many jobs would be created and much needed income would be brought to the local community.

Which economic ideas **cannot** be found in the above statement?

A external cost and private enterprise

B free market and the conservation of resources

C opportunity cost and improved standards of living

D public sector and external benefit

9 What is **not** a function of a trade union?

A to arrange promotion for its members

B to discuss members' working conditions

C to negotiate members' wages

D to represent members in disputes

10 When elderly people retire from work, they may receive a pension income that is lower than their previous income.

How is the proportion of their income spent on healthcare and leisure likely to change?

	healthcare	leisure
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

11 A bus company wishes to recruit a qualified senior manager to be responsible for coordinating bus timetables and managing staff. Some work will be required at night as the company also operates bus services at night. It is offering a good salary.

Which applicant would be most likely to be offered the position?

A a person employed as a manager of a small taxi company

B a person employed as a supervisor in another bus company

C a recently qualified business graduate

D a trade union representative from another bus company with extensive family commitments

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12 What is **not** usually associated with the existence of a monopoly?

A barriers to entry

B perfect knowledge

C profit maximisation

D small firms

13 A group of farmers form a partnership. They buy more machinery which they share in the production of cereals.

What is a benefit of using more machinery?

A it eliminates the need to train labour

B it encourages more labour-intensive methods

C it increases the productivity of each farmer

D it reduces total capital costs of production

14 Large-scale organisations can suffer from problems of coordination between departments which cause diseconomies of scale in the long-run.

What indicates that diseconomies of scale have set in?

A average fixed costs begin to decrease

B average variable costs begin to decrease

C rate of growth of output begins to decrease

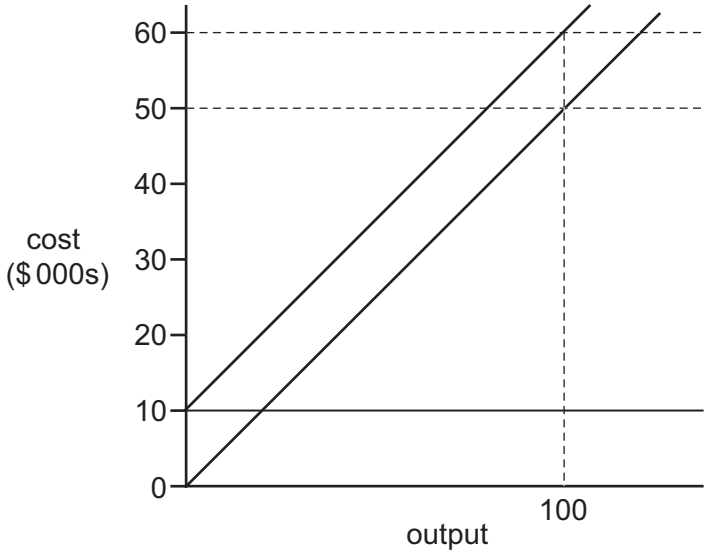
D total revenue begins to decrease

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15 The diagram shows the costs of a firm.



What is the firm's total variable cost at an output of 100 units?

A $100 **B** $500 **C** $10 000 **D** $50 000

16 Which policy combination will have the greatest impact on increasing the level of total spending in the economy?

	taxation	government spending
A	decreased	decreased
B	decreased	increased
C	increased	decreased
D	increased	increased

17 A toy company bought a $750 000 batch of raw plastic from a local firm and moulded it into toys. The total revenue from the toys was $1 000 000. The government demanded that the company pay tax on this action.

What is the most likely tax that the company has to pay?

A capital gains tax

B goods and services (value added) tax

C import duty

D income tax

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18 Russia exports wheat. In 2010, a bad harvest led the Russian government to prevent the export of wheat, to ensure enough supplies were kept for domestic use.

What was the most likely outcome of the government's action?

A prices were fixed by the wheat producers

B the amount produced was determined by the government

C the price of wheat abroad fell

D there was a redistribution of domestic production

19 The table shows the harmful carbon dioxide emissions for a country in selected years in millions of tonnes.

	2000	2010
manufacturing	204	88
transport	72	135
total including all other sources	685	543

What would be likely to have the greatest effect on reducing carbon dioxide emissions?

A introducing incentives to encourage manufacturers to reduce their emissions

B providing grants to fit solar panels to manufacturing premises

C raising taxes on petroleum and diesel fuel

D subsidising car manufacturers

20 How is economic growth measured?

A by an increase in consumer demand

B by an increase in literacy

C by an increase in output

D by an increase in wages

21 Domestic consumption in an economy fell.

What might have reduced the impact of that fall on the economy?

A exports also declined

B imports also declined

C savings also increased

D taxes also increased

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22 In 2014, farmers' crops were destroyed by two months of bad weather. As a result, in that year, they did not employ as many people at harvest time.

What type of unemployment would this cause?

A cyclical

B frictional

C seasonal

D structural

23 The following information was published by an economy's central bank.

In which case was **real** GDP growth highest?

	rate of nominal GDP growth (%)	rate of inflation (%)
A	2.0	1.0
B	7.0	5.0
C	9.0	13.0
D	10.0	11.0

24 The Human Development Index can be used to measure human development in countries.

Which measure would **not** be part of its calculation?

A inequality of incomes

B life expectancy

C standards of living

D years of schooling

25 The ratio of males to females in Russia is 90 to 100.

What could explain this imbalance?

A more women than men emigrate from Russia

B ten male babies are born for every nine female babies

C the infant mortality rate is higher among girls than boys

D women have a longer life expectancy than men in Russia

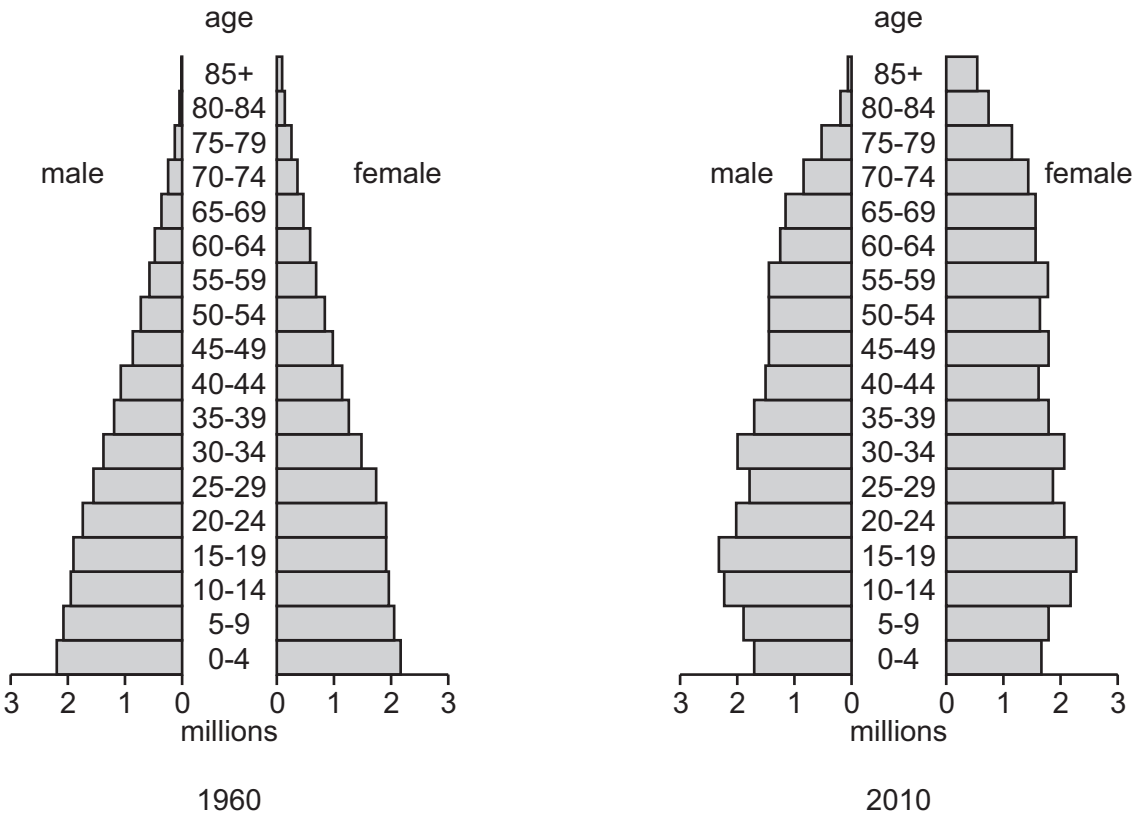
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26 The table gives the percentage employment in the primary, secondary and service sectors in four countries.

Which country is **most** likely to be a developed country?

	primary sector	secondary sector	service sector
A	10	35	55
B	20	60	20
C	35	35	30
D	40	40	20

27 The charts show the population structure of a country in 1960 and 2010.



During this period, how did birth and death rates change?

	birth rates	death rates
A	fell	fell
B	fell	no change
C	rose	fell
D	rose	no change

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28 What is an advantage of international specialisation?

A choice is limited

B countries become overdependent on each other

C resources are used more efficiently

D transport costs are decreased

29 Which combination of changes would raise the price of the Pakistani rupee on the foreign exchange market?

	demand for Pakistan's exports	Pakistan's demand for imports
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

30 The table shows the trade in goods balance and the current account balance of the balance of payments for four countries during a year.

Which country had the largest surplus on its trade in services, assuming no other transfers or income flows?

	country	trade in goods balance ($ billion)	current account balance ($ billion)
A	Hong Kong	6.2	6.2
B	Indonesia	4.4	4.3
C	Mexico	7.8	7.6
D	Singapore	5.3	5.4

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