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Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ECONOMICS **0455/13**

Paper 1 Multiple Choice **May/June 2018**

45 minutes

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

9067064670

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 The introduction of robots has meant that many firms now require fewer workers to produce their goods and services.

According to this statement, which factor of production is replacing workers?

A capital

B enterprise

C labour

D land

2 Economics textbooks identify the existence of scarcity as the basic economic problem.

What is it that makes scarcity a problem?

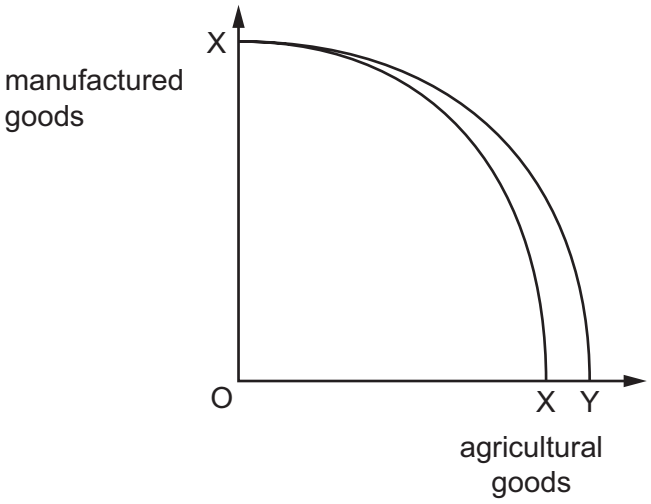
A It can cause inflation and unemployment.

B It is impossible to satisfy unlimited wants.

C It is the first priority of governments.

D It only affects the richest countries.

3 The diagram shows a country's original production possibility curve XX.



What could cause the country's production possibility curve to move from XX to XY?

A a decrease in the price of manufactured goods

B a major war

C an improvement in fertilisers

D an increase in the employment rate

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4 What is a benefit of the free market system?

A Innovation is encouraged to increase profits.

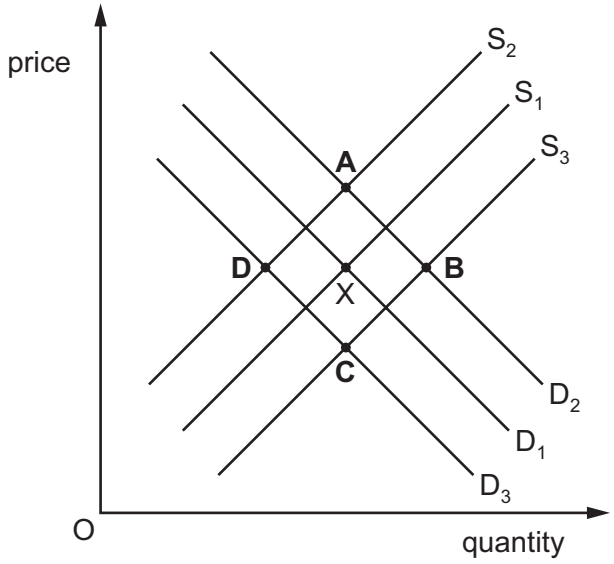
C Negative externalities can be controlled.

B Subsidies can be used to encourage exports.

D The distribution of goods and services is fair.

5 The diagram shows the demand curve D_1 and supply curve S_1 for healthcare in an economy. The original equilibrium is X.

What will be the new equilibrium if the economy experiences sustained economic growth and the government reduces planning controls on the building of new hospitals?



6 A private firm is one of a few suppliers of electricity in an economy. It is fined by the government for pollution from its coal-fired power stations which affect the health of those living nearby.

What does this situation involve?

A a government policy of nationalising an electricity supplier

B a market structure for electricity that is perfect competition

C a monopoly electricity supplier that ignores government controls

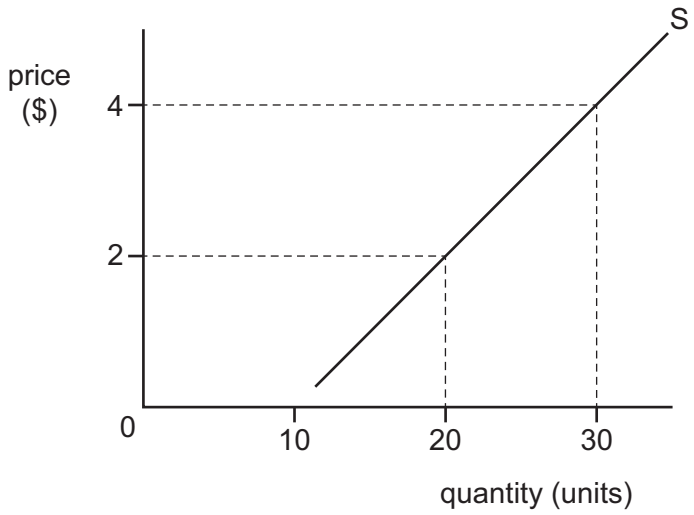
D external costs that are the result of electricity production

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7 The diagram shows the supply curve for a good.



What is the price elasticity of supply when the price rises from $2 to $4?

A 0.2 **B** 0.5 **C** 1 **D** 2

8 What is **not** a function of a central bank?

A It is the lender of last resort to financial institutions.

B It is the sole issuer of notes and coins.

C It lends to individual firms and consumers.

D It manages the national debt for the government.

9 Which change will make a manufacturing company replace labour with capital to maintain the most efficient combination of factors of production?

A The price of machinery has increased.

B The productivity of labour has increased.

C The productivity of machinery has increased.

D The supply of labour has increased.

10 What is the most likely reason a firm might welcome the introduction of a trade union for its workers?

A Unions advise on the level of company dividends.

B Unions press for higher minimum wage rates.

C Unions simplify the process of wage bargaining.

D Unions wish to operate labour-intensive production methods.

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11 What is **least** likely to lead to an increase in consumer spending on a new car?

A a decrease in the cost of car repairs

B a decrease in the price of petrol

C a decrease in the rate of interest

D a decrease in train fares

12 What is a characteristic of perfect competition?

A Firms sell an identical product.

B New firms cannot enter the market.

C The market is controlled by one firm.

D There is a high degree of market concentration.

13 A television manufacturer claims to have the most technically advanced production in the industry.

What is this **most** likely to mean when compared with its rival producers?

A It has a greater share of the television market.

B It is a more diversified company.

C It is less likely to be disrupted by strike action.

D It needs a more highly skilled workforce.

14 A firm that sells its product for $6 a unit has the following total costs.

output (units)	0	10	20	30
total costs ($)	40	100	120	150

Which statement is correct?

A Average cost is lowest when 10 units are produced.

B The firm does not make any profit when 20 units are sold.

C The firm has no fixed costs.

D Total variable costs fall continuously over these outputs.

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15 Which statement about fixed costs is correct?

A They exist only in the long run.

B They include raw material and direct labour costs.

C They increase at the same rate as output.

D They must be paid even if there is no output.

16 In many countries the government provides financial help to firms who wish to produce electricity using wind turbines.

Which kind of policy measure is this?

A deregulation

B maximum price

C subsidy

D taxation

17 What is an aim of government policy?

A income tax

B interest rates

C stable prices

D unemployment

18 A government seeks to redistribute income from the rich to the poor.

Which combination of policy measures is most likely to achieve this aim?

	income tax	sales tax	state benefit
A	decrease	decrease	decrease
B	decrease	increase	increase
C	increase	decrease	increase
D	increase	increase	decrease

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19 Which situation involving the building industry is **most** likely to be investigated by a government body set up to control restrictive practices?

A a builder purchasing a plot of land for development of housing

B groups of suppliers of building materials agreeing to fix prices

C several builders bidding for the same contracts

D several builders using different sources of supply

20 What is a likely consequence of economic growth?

A decreased levels of employment

B decreased levels of exports

C decreased levels of output

D decreased levels of poverty

21 A basket of goods is used to calculate a country's rate of inflation.

What is included in the basket of goods?

A a representative sample of current household spending

B all goods bought in the country

C the spending on an unchanging group of necessities

D the 50 most popular items of household spending

22 There was a fall in investment spending by businesses in the third quarter of 2015.

What would be the likely result of this?

A an increase in economic growth

B an increase in exports

C an increase in incomes

D an increase in unemployment

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23 The table shows units of output, value of output and number of people employed in an industry over three years.

	output (units, millions)	output value ($ millions)	number employed (000)
year 1	10	10	5
year 2	21	25	7
year 3	32	40	8

What can be concluded from the table?

A Inflation has increased.

B Productivity has increased.

C Profit has increased.

D Working population has increased.

24 Provision of services in rural districts of developing countries tends to occur later than those in urban areas.

For which service would this **not** be correct?

A medical research units

B mobile phone networks

C modern transport systems

D university teaching departments

25 The table shows a country's past and predicted age structure, as a percentage (%), from 2000 to 2150. The working age range is 15 – 64.

age	2000 %	2050 %	2100 %	2150 %
65 and over	7	14	25	28
15 – 64	63	68	60	56
14 and under	30	18	15	16

Which statement describes the behaviour of the dependency ratio over the period?

A It falls and then rises.

B It falls continuously.

C It rises and then falls.

D It rises continuously.

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26 The government of a developing country allows a multinational mining company to mine minerals in order to improve the standard of living of the local people.

Which action by the multinational company (MNC) will **not** lead to an improvement in the standard of living of the local people?

A building roads to assist transport

B exporting mineral ore

C providing skills training

D returning profits overseas

27 What would have the most severe restriction on the volume of international trade in steel?

A an embargo

B a licence system

C a quota

D a tariff

28 In 2012 the UK held the Olympic Games, which attracted a large number of visitors from foreign countries.

Which item of the UK's current account balance will have benefited directly from this event?

A export trade in goods

B export trade in services

C import trade in goods

D import trade in services

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29 The table refers to a country's balance of payments on current account.

	$bn
goods exports	100
goods imports	125
services exports	60
services imports	50
income and transfers balance	+10

What can be concluded from the table?

A a current account deficit of $5bn

B a current account surplus of $5bn

C a goods and services deficit of $35bn

D a goods and services surplus of $15bn

30 The table shows the rice yield in four countries.

country	rice yield (kilos per hectare)
Japan	64
China	53
Bangladesh	20
Thailand	20

What may be concluded from this information?

A Bangladesh and Thailand produce the same amount of rice.

B Japan produces more than three times as much rice as Bangladesh.

C Japan produces the largest amount of rice per hectare.

D Japan produces the largest amount of rice per person employed.

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