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Cambridge Assessment International Education

# Cambridge IGCSE™

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

Paper 1 Multiple Choice **October/November 2022**

**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.



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**1** The Chinese government is concerned about the level of poverty and the need for more resources in low-income regions of the country. As a result, it is increasing its expenditure in those regions and reducing it in high-income regions.

Which economic concept does this government policy illustrate?

**A** diseconomies of scale

**B** market forces

**C** opportunity cost

**D** specialisation

**2** An airline needs people and equipment. These can be divided into factors of production.

What is allocated to its correct factor of production?

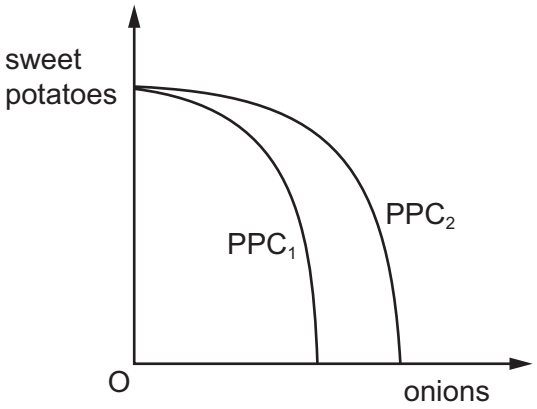
| | people or equipment | factor of production |
|---|---|---|
| **A** | aircraft | capital |
| **B** | airline owners | labour |
| **C** | computer network | land |
| **D** | pilots | enterprise |

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**3** The diagram shows production possibility curves (PPC) for an economy that produces two goods, sweet potatoes and onions. Initially the economy is operating on $PPC_1$.




Which combination of changes could shift $PPC_1$ to $PPC_2$?

| | change 1 | change 2 |
|---|---|---|
| **A** | a fuller use of existing resources in onion farms | a reduction in the price of sweet potatoes |
| **B** | a reduction in the price of onions | a larger population in the country |
| **C** | an increase in the price of sweet potatoes | an increased consumer preference for onions |
| **D** | an increase in the training of onion farmers | a greater use of technology on onion farms |

**4** A government decides to move towards a market economy by selling state-owned enterprises.

What is a possible motive for this?

**A** to create greater income equality

**B** to extend government control of the economy

**C** to increase efficiency of production

**D** to take account of external costs

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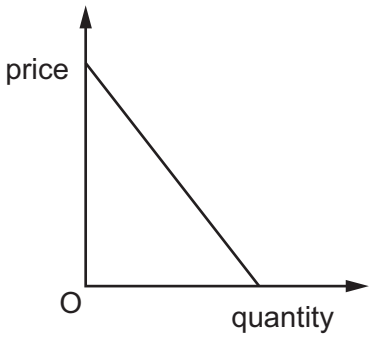


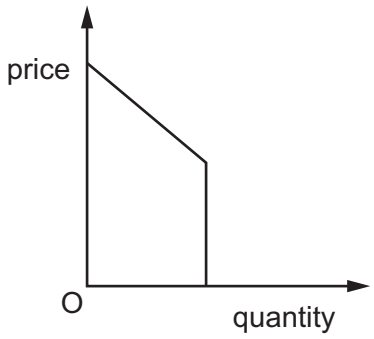
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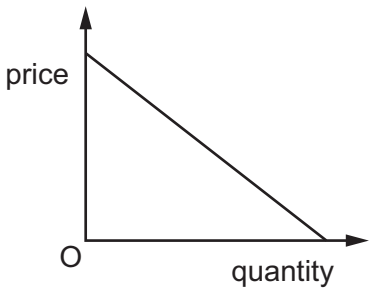
**5** The diagrams show the demand curves for the only two buyers in a market.



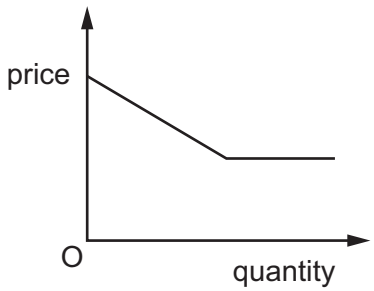




What will be the shape of the market demand curve for the good?

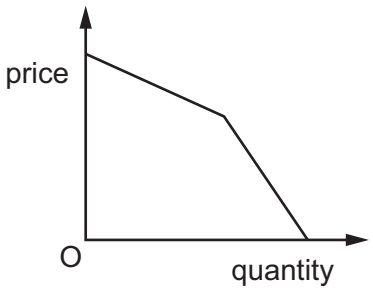
**A**



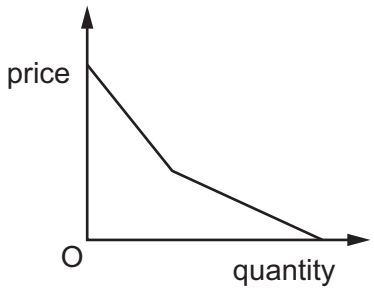

**B**




**C**




**D**




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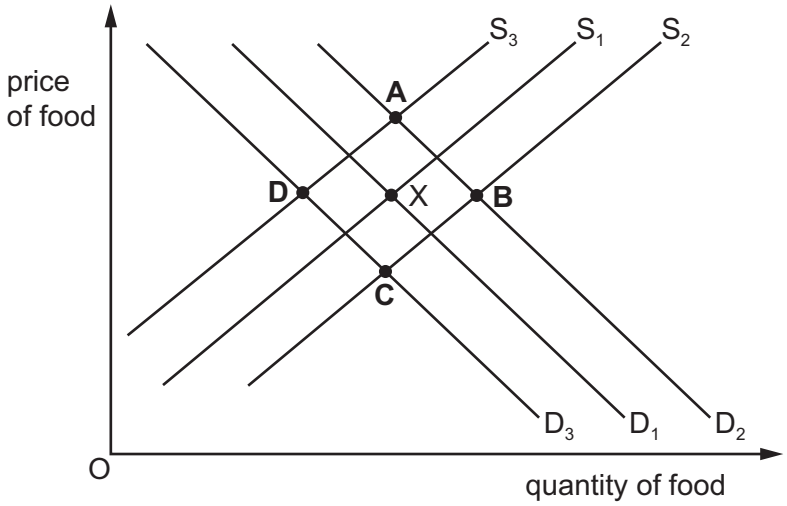
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**6** The shoppers in a country become worried about a sudden and dangerous rise in air pollution and so buy more food in case they have to stay at home. As the air pollution spreads, supermarket staff fall ill and the supermarkets struggle to keep their shelves full of food.

X was the initial equilibrium in the market for food in supermarkets.

What will be the new equilibrium as a result of the above situation?




**7** Which factor can influence the price elasticity of supply of a product?

**A** the degree of necessity of the product

**B** the level of spare capacity in the industry

**C** the price of substitutes

**D** the proportion of income spent on the product

**8** What is a possible consequence of market failure?

**A** Consumers have complete information about goods.

**B** Disequilibrium continues in the market.

**C** Merit goods are under-supplied.

**D** Some goods are no longer demanded.

**9** Which organisations can directly fund the growth of firms?

| | central banks | commercial banks | governments |
|---|---|---|---|
| **A** | no | yes | no |
| **B** | no | yes | yes |
| **C** | yes | no | no |
| **D** | yes | no | yes |

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**10** Which advantage do coins have that makes them more suitable than paper banknotes to act as money?

**A** They are more divisible.

**B** They are more durable.

**C** They are more portable.

**D** They are more recognisable.

**11** Which statement about different income groups is correct?

**A** High-income groups do not need to borrow money.

**B** High-income groups save less money than low-income groups.

**C** Low-income groups find it easier to borrow than high-income groups.

**D** Low-income groups save a smaller percentage of their income than high-income groups.

**12** A musician has a choice of playing for an orchestra in either Germany or England.

Which combination of incomes and cost of living is **most** likely to cause her to choose the German orchestra?

| | incomes and cost of living in Germany compared with those in England | | |
|---|---|---|---|
| | pre-tax (gross) income | after-tax (net) income | cost of living |
| **A** | higher | higher | higher |
| **B** | higher | lower | lower |
| **C** | lower | higher | higher |
| **D** | lower | higher | lower |

**13** A trade union states that its members have experienced a loss in real income over the past five years.

What must have happened for this to be true?

**A** Income tax rates have increased.

**B** Prices have risen.

**C** Savings have fallen.

**D** Wages adjusted for inflation have fallen.

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**14** A firm provides a personal service to its customers. It prefers to remain labour-intensive rather than changing to more capital-intensive production.

Which aspect of remaining labour-intensive would support this choice?

**A** Customer satisfaction is higher.

**B** Production costs are higher.

**C** Production is less flexible.

**D** Quality of customer service is worse.

**15** Why might one profitable oil-drilling firm wish to take over another profitable oil-drilling firm?

**A** to bring its suppliers into the same firm

**B** to get closer to its customers to increase sales

**C** to reduce its costs per unit of output

**D** to reduce the amount of corporation tax it paid

**16** A government decides to boost the economy through the use of a budget deficit.

Which target should it adopt to achieve this aim?

**A** Direct taxation should exceed indirect taxation.

**B** Export earnings should exceed import expenditure.

**C** Government savings should exceed government investment.

**D** Government spending should exceed government revenue.

**17** A government decides to use a fiscal policy measure.

What is an example of this?

**A** increasing the exchange rate

**B** reducing the power of trade unions

**C** reducing the rate of corporation tax

**D** setting a low interest rate

**18** What would the government reduce to decrease inflation?

**A** income tax

**B** its foreign exchange rate

**C** the money supply

**D** the rate of interest

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**19** A country wishes to encourage economic growth.

Which policy measure is **most** likely to achieve this aim?

**A** increasing interest rates

**B** increasing spending on education

**C** reducing the maximum permitted hours of work

**D** reducing spending on infrastructure

**20** How does a country usually measure its Gross Domestic Product?

**A** by calculating the total value of all goods and services produced within the economy

**B** by measuring the average prices of a basket of goods and services throughout the country

**C** by subtracting government expenditure from government revenue

**D** by surveying the number of people who are out of work but willing and able to work

**21** What is the **most** likely consequence of increased unemployment?

**A** higher output

**B** higher government budget deficit

**C** higher self-esteem

**D** higher inflation

**22** Why is deflation undesirable for an economy?

**A** It reduces business confidence.

**B** It reduces export competitiveness.

**C** It reduces purchasing power.

**D** It reduces real incomes.

**23** Why does a government provide public goods?

**A** Public goods are always used by everyone.

**B** Public goods are not profitable for private firms.

**C** Public goods can only be provided by monopolies.

**D** Public goods create large external costs.

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**24** The table shows the percentage changes in earnings and consumer prices for four countries in one year.

Which country is likely to have experienced the greatest increase in real income during the year?

| | country | earnings | consumer prices |
|---|---|---|---|
| **A** | France | +6.5 | +3.5 |
| **B** | Germany | +4.0 | +4.0 |
| **C** | Japan | +4.0 | –1.0 |
| **D** | UK | +6.5 | –2.0 |

**25** Which combination of government actions is **most** likely to raise the living standards of lower income groups in an economy?

| | indirect tax | spending on healthcare | personal tax-free allowance |
|---|---|---|---|
| **A** | increase | increase | decrease |
| **B** | increase | decrease | increase |
| **C** | reduce | increase | decrease |
| **D** | reduce | increase | increase |

**26** What is the usual effect of net immigration for a high-income country?

**A** an increase in the size of the labour force

**B** a rise in the average age of the population

**C** lower economic growth

**D** reduced demand for housing

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**27** The table shows some details from a country's balance of payments. The country has no secondary income (current transfers).

| item | $ million |
|---|---|
| exports of goods | 280 |
| imports of goods | 350 |
| exports of services | 110 |
| imports of services | 60 |
| net primary income | –40 |

What is the country's balance on its current account?

**A** a deficit of $60 million

**B** a deficit of $160 million

**C** a surplus of $20 million

**D** a surplus of $760 million

**28** Vietnamese companies buy insurance from companies in the US.

How will this transaction be recorded in the Vietnamese balance of payments?

| | section | credit / debit |
|---|---|---|
| **A** | trade in goods | credit |
| **B** | trade in services | credit |
| **C** | trade in services | debit |
| **D** | current transfers | debit |

**29** Country X produces cars and also imports cars.

Which group is **least** likely to benefit from the introduction of an import tariff on cars?

**A** consumers of cars in country X

**B** producers of cars in country X

**C** the government of country X

**D** workers making cars in country X

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**30** What may be a cost to its home country when a multinational company (MNC) expands abroad?

**A** Increased competition from the MNC may force firms in the host country to close.

**B** Many jobs created by the MNC may be low-skilled.

**C** The MNC's profits from the host country may be sent to its home country.

**D** The MNC may cause job losses in its home country by moving production abroad.

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