Cambridge Assessment International Education

Cambridge IGCSE™

ECONOMICS **0455/11**

Paper 1 Multiple Choice **May/June 2022**

45 minutes

You must answer on the multiple choice answer sheet.

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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 A government uses different supply-side policy measures to improve economic performance.

Which policy measure would **not** satisfy one of the government's macroeconomic aims?

A changing the tax system which leads to more tax evasion

B encouraging foreign investment which improves the balance of payments

C privatising state industries which increases economic growth

D retraining redundant workers which lowers unemployment

2 What could cause an increase in demand for a factor of production?

A decrease in the efficiency of the factor of production

B decrease in the price of an alternative factor of production

C increase in the demand for the good or service produced

D increase in the price of the factor of production

3 Which components, in addition to Gross Domestic Product (GDP) per head, are included in the Human Development Index (HDI)?

A average earnings and inequalities of incomes

B balance of trade and balance of payments

C life expectancy at birth and expected years of schooling

D size of population and age structure of population

4 The US government introduces tariffs on steel imported from China. This increases the price of imported Chinese steel.

Whose income would be likely to increase as a direct result?

	Chinese steel producers	US government
A	yes	yes
B	yes	no
C	no	yes
D	no	no

5 A government retrains unemployed industrial workers to increase employment opportunities. The policy may have adverse effects on other government macroeconomic aims.

What illustrates this situation?

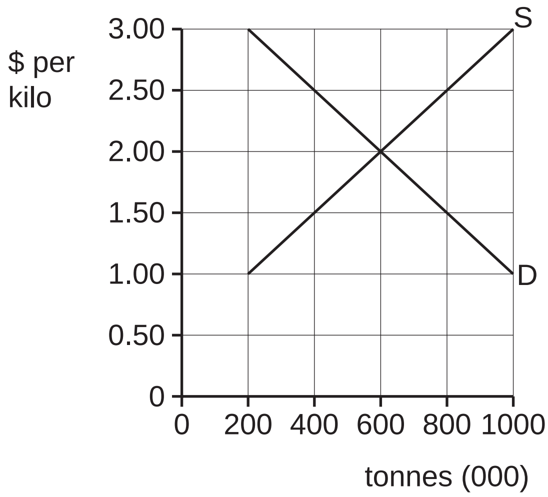
A Better skilled workers may increase productivity and improve economic growth.

B Increased wage-earning capacity may lead to demand-pull inflation.

C More employed workers may reduce government expenditure on benefit payments.

D Near full employment may result in a more stable balance of payments.

6 The diagram shows the demand and supply for apples.



To what extent is the market for apples in disequilibrium at a price of $2.50 per kilo?

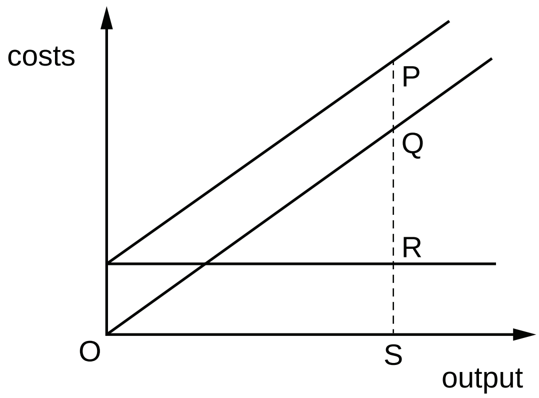
A Demand exceeds supply by 200 000 tonnes.

B Demand exceeds supply by 400 000 tonnes.

C Supply exceeds demand by 200 000 tonnes.

D Supply exceeds demand by 400 000 tonnes.

7 The diagram shows the fixed costs, variable costs and total costs of a firm at output S.



Which distance represents the firm's variable costs?

A PQ **B** PS **C** QR **D** QS

8 The table shows the world output of iron ore and the average yearly price for four years.

year	world output of iron ore (billion tonnes)	average yearly price ($ per tonne)
year 1	2.86	128
year 2	2.98	135
year 3	2.22	97
year 4	2.28	95

What can be concluded about the relationship between world output of iron ore and the average yearly price over the four years?

	world output	average yearly price
A	highest	highest
B	highest	lowest
C	lowest	highest
D	lowest	lowest

9 A firm has a high price elasticity of supply for its product.

What does this indicate?

A It can increase revenue by reducing the price.

B It can quickly respond to changes in price.

C It keeps very low volumes of product in stock.

D It produces a good that has close substitutes.

10 A manufacturer of medical supplies benefits from improved road links to its main markets.

What benefit definitely occurs as a result?

A increased average revenue

B increased external economies of scale

C increased internal economies of scale

D increased market share

11 Which row shows an essential characteristic of competitive markets and monopoly markets?

	competitive markets	monopoly markets
A	many buyers	single seller
B	many sellers	single buyer
C	single buyer	many buyers
D	single seller	many sellers

12 A student has nothing to do on a Friday evening. She withdraws $5 from the $100 she has in a savings account and buys a present to take to a party, to which admission is free.

What does this involve?

A an opportunity cost equal to $95

B an opportunity cost equal to other goods she could have bought for $5

C no opportunity cost, as entrance to the party is free

D no opportunity cost, as she had no better way of using the time

13 The development of artificial intelligence in machines raises the productivity of capital.

What will be the effect of this?

A The costs of production will increase.

B The demand for capital will increase.

C The price of capital will fall.

D The supply of capital will decrease.

14 Which combination is necessary for the construction of a consumer prices index?

	a base year	price stability	weights
A	yes	yes	yes
B	yes	no	yes
C	yes	no	no
D	no	yes	yes

15 A government removed the quota on goods imported into the country.

What is the **most** likely result of this?

A a decrease in demand for domestic production

B a decrease in domestic unemployment

C a decrease in exports

D a decrease in the balance of trade deficit

16 What is an advantage of a country having a market economic system with a large private sector?

A Firms can become unprofitable if they do not produce what consumers want.

B Market forces often fail to ensure maximum benefits for society.

C Some goods may not be provided at all or not in sufficient quantity.

D There is an unequal distribution of income which can increase over time.

17 What is an example of a fiscal policy measure?

A increasing the exchange rate

B reducing the power of trade unions

C reducing the rate of corporation tax

D setting a lower interest rate

18 Why would an increase in the interest rate potentially lead to lower inflation?

A Consumers will be more willing to save when interest rates are high.

B Consumers will be more willing to spend when interest rates are high.

C Producers will be more willing to borrow from banks when interest rates are high.

D Producers will be more willing to invest when interest rates are high.

19 Which government action will **not** add directly to the quantity or quality of human resources?

A improvement in health facilities

B investment in education and training

C provision of better food and nutrition

D reclamation of land from the sea

20 What is a likely cause of economic growth?

A decreased employment

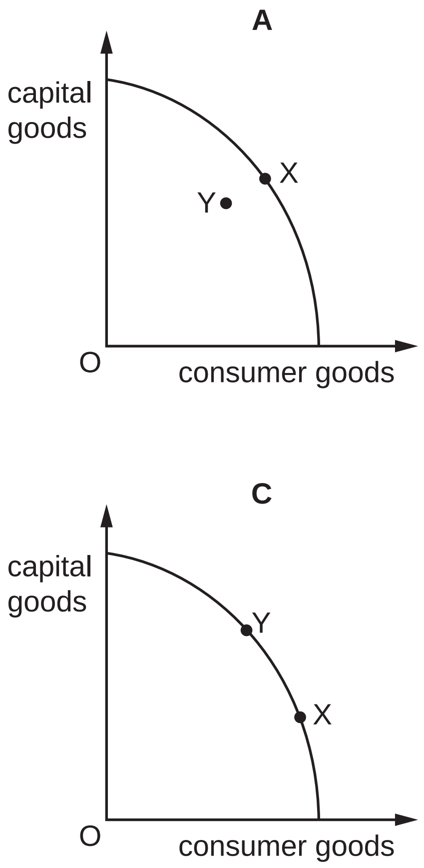
B decreased investment

C decreased productivity

D decreased taxation

21 An economy experiences a recession and moves from full employment to 5% unemployment.

Which movement from X to Y on the PPC diagram shows the consequence for the economy?



22 The table shows how three people, X, Y and Z, spend their income.

	person X	person Y	person Z
food, clothing and housing	30%	25%	50%
entertainment and leisure	35%	35%	25%
luxury goods	35%	40%	25%

What is the likely order of income, from lowest income to highest income, for these three people?

A $Y \rightarrow X \rightarrow Z$

B $Y \rightarrow Z \rightarrow X$

C $Z \rightarrow X \rightarrow Y$

D $Z \rightarrow Y \rightarrow X$

23 Why would standards of living fall when there is a recession?

A The government would increase taxes to combat the recession.

B The purchasing power of households would fall.

C The value of the domestic currency would increase.

D There would be a rise in the level of immigration.

24 What is the purpose of an economy's production possibility curve (PPC)?

A It answers the question of what to produce in an economy.

B It enables microeconomic decisions to be taken by firms.

C It measures the supply of goods and services available in an economy.

D It shows the productive capacity in an economy at a point in time.

25 The governments of low-income countries often allow foreign multinational companies (MNCs) to mine minerals in their country.

Which conflict between benefit and cost might this cause the low-income countries?

	benefit	cost
A	improved balance of trade	training by the MNCs
B	higher employment	loss of a finite resource
C	increased profits for the MNCs	efficient production
D	more sustainable development	economic growth

26 The table shows some economic indicators.

Which increase in the first indicator is **most** likely to lead to an increase in the second indicator?

	first indicator	second indicator
A	budget surplus	consumer saving
B	consumer spending	unemployment
C	inflation	trade surplus
D	productivity	living standards

27 What is the definition of *foreign exchange rate*?

A the difference between emigration and immigration

B the difference between the values of imports and exports

C the price of one currency in terms of another

D the price of one good in terms of another

28 Which activity is correctly linked to the organisation that provides it?

	organisation	activity
A	central bank	regulate the rate of inflation
B	central bank	set direct tax rates
C	commercial bank	manage the government's financial accounts
D	commercial bank	safeguard the country's foreign reserves

29 Which topic is **not** included in microeconomics?

A consumer demand

B economies of scale

C forms of competition

D inflation

30 What is likely to cause an immediate decrease in the size of the labour force?

A a fall in the average size of families

B a fall in the birth rate

C a reduction in the age of retirement

D an increase in net immigration

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