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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.

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 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

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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?

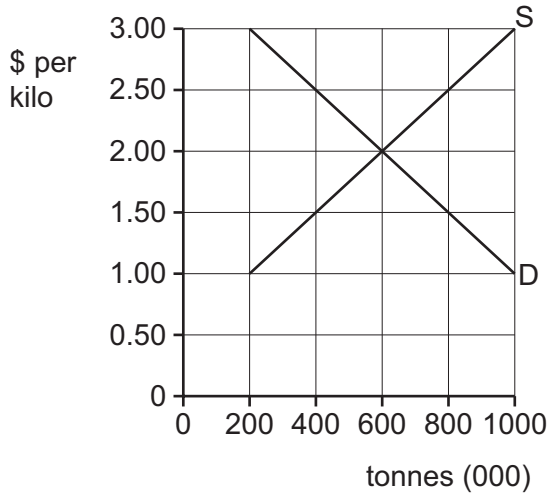
A Better skilled workers may increase productivity and improve economic growth.

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.

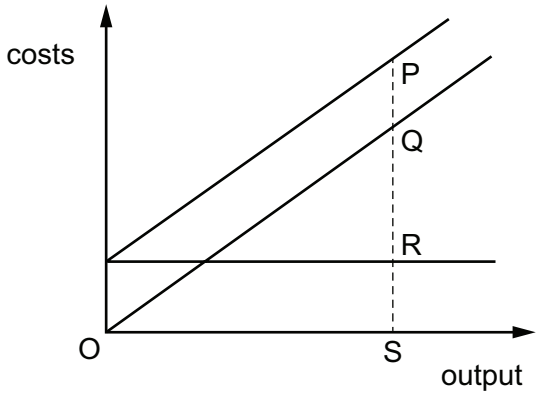
D Supply exceeds demand by 400 000 tonnes.

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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

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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

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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

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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

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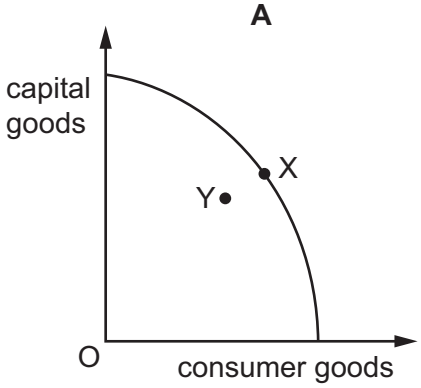
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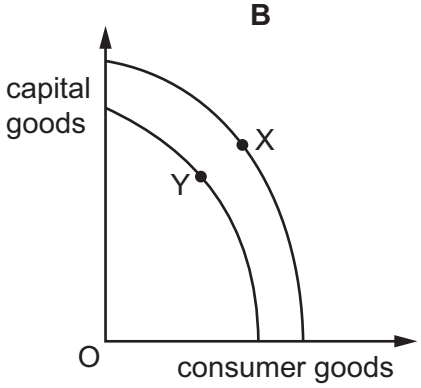
21 An economy experiences a recession and moves from full employment to 5% unemployment.

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

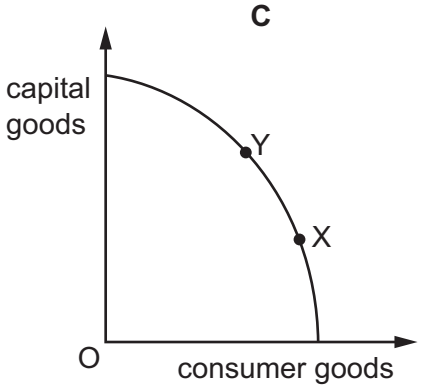
A



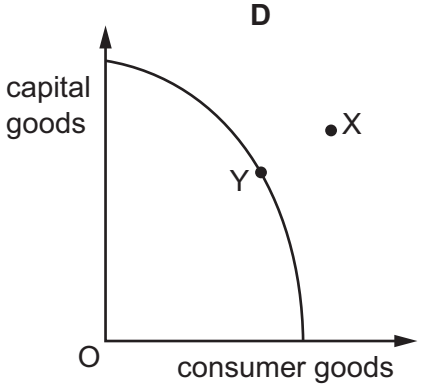
B



C



D



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 $Z \rightarrow Y \rightarrow X$

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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

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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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