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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.

This document has **12** pages. Any blank pages are indicated.


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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?

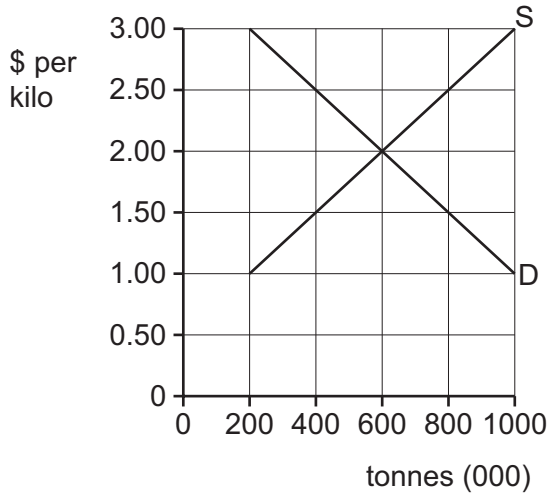
**A** Better skilled workers may increase productivity and improve economic growth.

**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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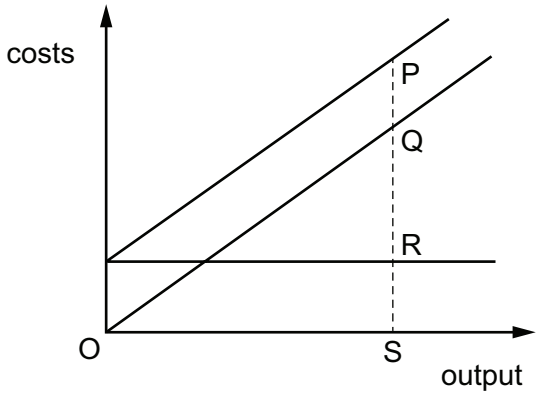


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**7** The diagram shows the fixed costs, variable costs and total costs of a firm at output S.




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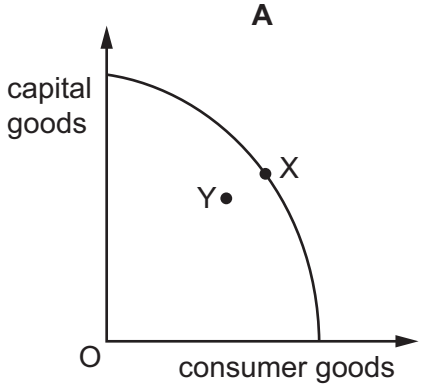
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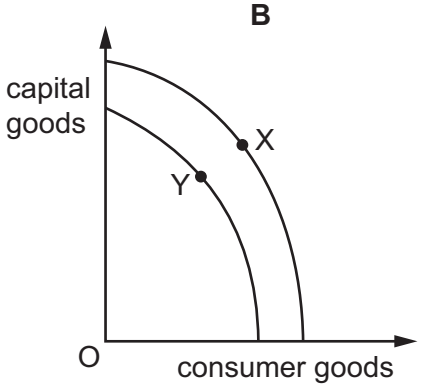
**21** An economy experiences a recession and moves from full employment to 5% unemployment.

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

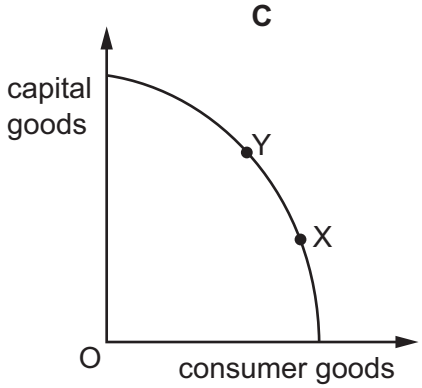
**A**



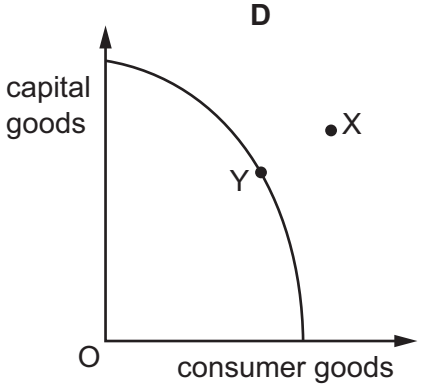

**B**




**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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