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Cambridge Assessment International Education

# Cambridge IGCSE™

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

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)

*5481907720*

**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** Which factor has the correct factor reward identified?

| | factor | factor reward |
|---|---|---|
| **A** | capital | profit |
| **B** | enterprise | wages |
| **C** | labour | interest |
| **D** | land | rent |

**2** 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

**3** What would cause a shift in a country's production possibility curve?

**A** a fall in unemployment

**B** a recovery from a recession

**C** a rise in prices

**D** the destruction of factories in a war

**4** Which topic is studied in macroeconomics?

**A** cost-push inflation

**B** market price determination

**C** public goods

**D** the output of a firm

**5** China is moving towards a more mixed economic system and reducing the role of the public sector.

Which economic policy measure might best achieve this?

**A** creating excess capacity in state-owned enterprises

**B** encouraging competition among private sector firms

**C** protecting infant industries

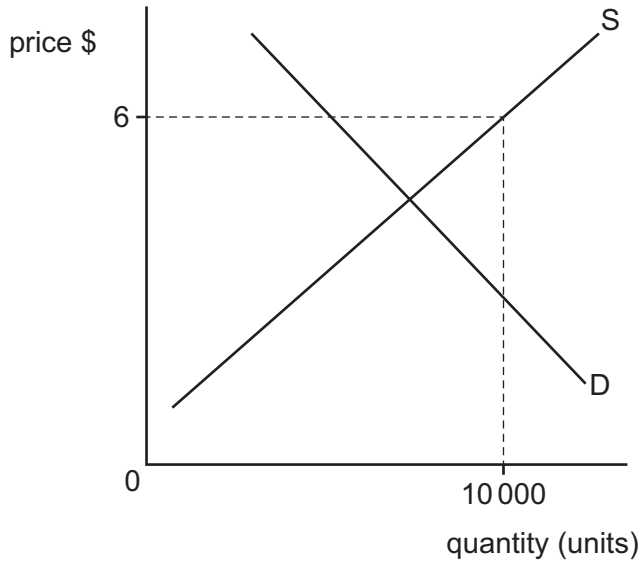
**D** subsidising transport infrastructure

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**6** The diagram shows the supply and demand for a product.




Suppliers have decided to produce 10 000 units and charge a price of $6.

What is the result of this decision in the short run?

**A** A stable equilibrium price will be achieved.

**B** Suppliers will be left with unsold stock.

**C** The equilibrium market price will increase.

**D** There will be excess demand at the price of $6.

**7** Which statement about price elasticity of demand (PED) is correct?

**A** PED measures the percentage change in quantity demanded divided by the percentage change in price.

**B** PED measures the change in price divided by the change in the quantity demanded.

**C** PED means a change in price will cause an equal change in the quantity demanded.

**D** PED means a change in demand will result in a greater percentage change in price.

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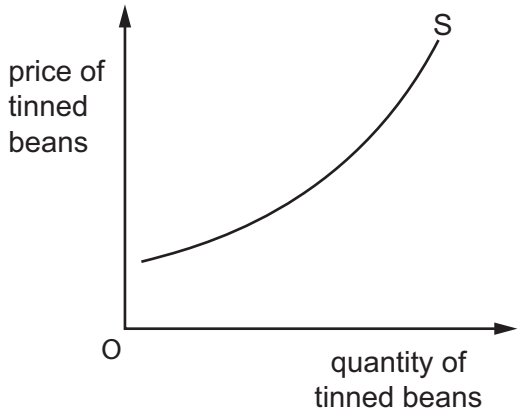
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**8** A manufacturer of tinned beans mechanises its assembly line. This increases output by 30% and reduces labour by 20%.

How and why will this affect supply curve S?



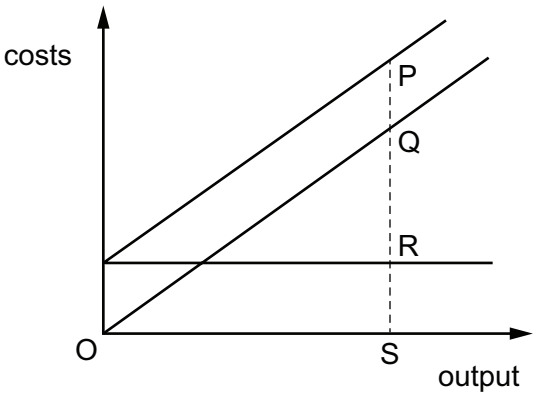

**A** S will move to the left due to an increase in average costs.

**B** S will move to the left due to an increase in the price of tinned beans.

**C** S will move to the right due to an increase in consumer demand.

**D** S will move to the right due to an increase in productivity.

**9** 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

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**10** A cinema has 500 seats. It raised its admission price from $2 to $5 and daily revenue increased from $800 to $1500.

What can be concluded from this information?

**A** Price elasticity of demand for cinema seats was elastic.

**B** Price elasticity of supply of cinema seats was elastic.

**C** The cinema operated below full capacity.

**D** The cinema's profits rose by $700.

**11** What is an outcome of a competitive market?

**A** high prices and low quality

**B** low prices and large choice

**C** high profits and low quality

**D** low profits and little choice

**12** What might prevent an individual choosing a particular occupation?

**A** little opportunity for career progression

**B** low cost of travelling to work

**C** no risk to personal health

**D** wage rate above national minimum wage

**13** What might encourage a consumer to spend less and save more?

**A** the expectation that prices will fall

**B** the expectation that prices will rise

**C** the expectation that unemployment will fall

**D** the expectation that real GDP will rise

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**14** 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** $Z \rightarrow Y \rightarrow X$

**15** 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 |

**16** What is **not** usually a macroeconomic aim?

**A** balance of payments stability

**B** high government borrowing

**C** lowering cyclical unemployment

**D** reducing absolute poverty

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**17** A government decides to increase the indirect tax on petrol. Petrol has an inelastic price elasticity of demand.

What are likely to be the consequences?

| | quantity of petrol bought | government revenue |
|---|---|---|
| **A** | decreases | decreases |
| **B** | decreases | increases |
| **C** | increases | decreases |
| **D** | increases | increases |

**18** In a country, there is an increase in the rate of interest to prevent inflation.

Which type of macroeconomic policy is this?

**A** fiscal policy

**B** monetary policy

**C** supply-side policy

**D** trade policy

**19** A government significantly increases its spending on education and training over several years.

What will be the likely effect of this policy measure on the rate of inflation in both the short run and the long run?

| | short-run effect | long-run effect |
|---|---|---|
| **A** | decreases | decreases |
| **B** | decreases | increases |
| **C** | increases | decreases |
| **D** | increases | increases |

**20** What may cause a recession?

**A** an increase in consumer spending

**B** an increase in government spending

**C** an increase in imports

**D** an increase in investment

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**21** Why might the macroeconomic aim of full employment conflict with the aim of stable prices?

**A** Full employment leads to higher cost of imports.

**B** Full employment leads to increased income inequality.

**C** Full employment leads to increases in wages.

**D** Full employment leads to lower exports.

**22** In a country, inflation is 10% and nominal interest rates are 7%.

Which group is **most** likely to benefit from this situation?

**A** borrowers

**B** employers

**C** lenders

**D** savers

**23** Which action is **not** performed by a government as part of its international role?

**A** building offshore wind farms

**B** imposing tariffs on imports

**C** issuing visas to foreign tourists

**D** providing humanitarian aid to refugees

**24** 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

**25** 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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**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** When are countries **most** likely to specialise and trade with each other?

**A** when the cost of transport between them is high

**B** when there are large differences in their resource allocations

**C** when they have access to the same technology

**D** when they have high tariffs and other protective measures

**28** 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

**29** A country has a surplus on the current account of its balance of payments.

What would be **most** likely to cause the country to move into deficit?

**A** devaluation of its fixed exchange rate

**B** government subsidies to its exporters

**C** improved technology in other countries

**D** productivity increases in its export industries

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**30** 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 |

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