Cambridge Assessment International Education

Cambridge IGCSE™

ECONOMICS **0455/12**

Paper 1 Multiple Choice **February/March 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 business person employs two people to make sandwiches to sell in a café.

As well as labour, which factors of production are involved in this activity?

A capital, enterprise and land

B capital and enterprise only

C capital and land only

D enterprise and land only

2 Why might a government choose to increase spending on healthcare instead of spending on building new roads?

A The financial cost of building new roads is lower.

B The opportunity cost of building new roads is lower.

C The opportunity cost of spending on healthcare is lower.

D The social costs of healthcare are higher.

3 In 2020, many economies were operating under their production possibility curve (PPC).

What does this statement mean?

A There was a rise in the price of goods and services in many economies.

B There was a significant level of unemployment of resources.

C These economies lacked resources to produce more output.

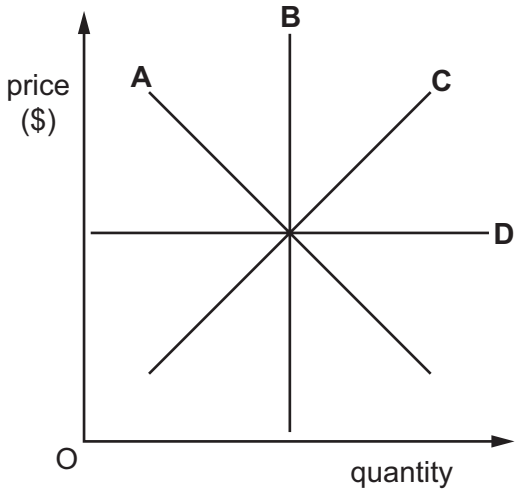
D These economies were producing at the most efficient point.

4 Which combination of terms describes a public good?

	excludable	rival
A	no	no
B	no	yes
C	yes	no
D	yes	yes

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5 In the diagram, which line represents perfectly price-elastic demand?



6 The formula for a good's price elasticity of supply needs to be completed.

$$\text{price elasticity of supply} = \frac{X}{Y}$$

What needs to replace X and Y to complete the formula?

	X	Y
A	change in price	change in quantity supplied
B	change in quantity supplied	change in price
C	% change in price	% change in quantity supplied
D	% change in quantity supplied	% change in price

7 In a country, the total demand for vehicle fuel is price-inelastic. However, the demand for any given brand of vehicle fuel is price-elastic.

If brand X increased its price by 10%, what would be the **most** likely effect?

A Consumer spending on vehicle fuel would decrease.

B The prices of other brands would fall.

C The revenue from brand X would increase.

D The revenue from other brands would increase.

8 A medical report that outlined the disadvantages of eating sugar caused the demand for sugar to decrease. However, producers of sugar were not able to adjust their supply quickly and continued producing sugar at previous levels.

What was likely to have happened in the market for sugar?

A a government subsidy

B excess demand

C excess supply

D rising prices

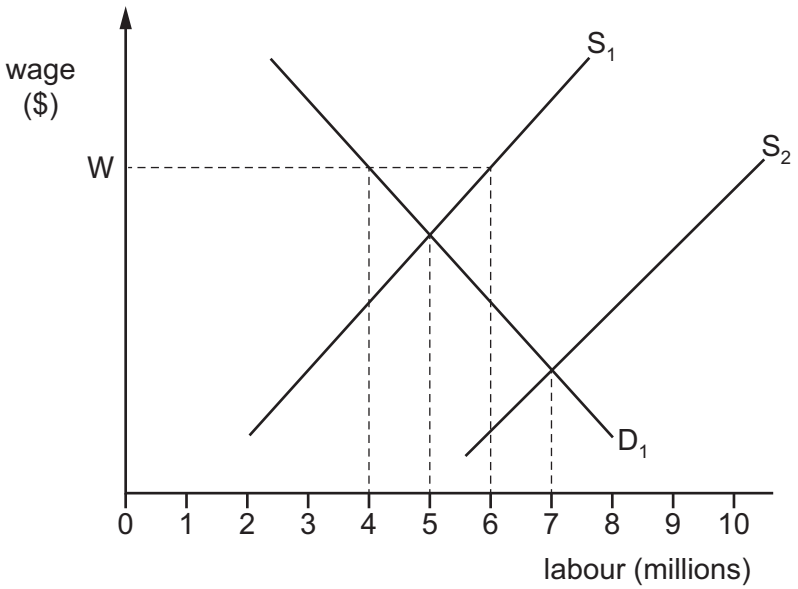
9 Interest rates fall.

How might this affect consumers' saving and spending?

	saving	spending
A	fall	fall
B	fall	rise
C	rise	fall
D	rise	rise

10 In the diagram, D_1 and S_1 represent the demand for and the supply of labour. W indicates a legal minimum wage.

An influx of immigrant labour causes the supply curve for labour to shift from S_1 to S_2.



How many people will be employed if the minimum wage legislation is then abolished?

A 4 million **B** 5 million **C** 6 million **D** 7 million

11 Labour-intensive sectors are the main contributors to Vietnam's economic growth.

What does this reveal about Vietnam's economy?

A Availability of labour in Vietnam is low.

B Demand for products from labour-intensive sectors is low.

C Price of labour in Vietnam is high.

D Production of goods and services in Vietnam is mainly dependent on labour.

12 An information technology (IT) specialist sets up a firm that repairs computers.

Which sector and ownership are involved in this action?

	sector	ownership
A	primary	private
B	secondary	public
C	tertiary	private
D	tertiary	public

13 Which term describes the situation where the owner of a coffee plantation plans a merger with a chain of coffee shops?

A a conglomerate merger

B horizontal merger

C vertical merger backwards

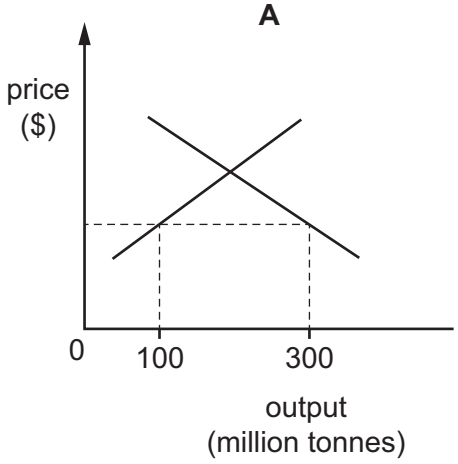
D vertical merger forwards

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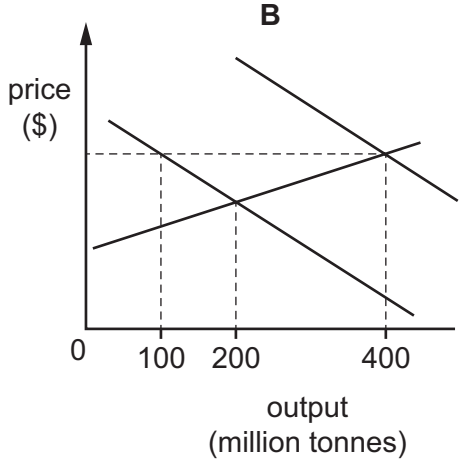
14 The diagrams show the demand for and supply of Chinese steel. Government subsidies for the Chinese steel industry led to 200 million tonnes of excess output.

Which diagram would represent the position after the subsidy but before the market adjusted?

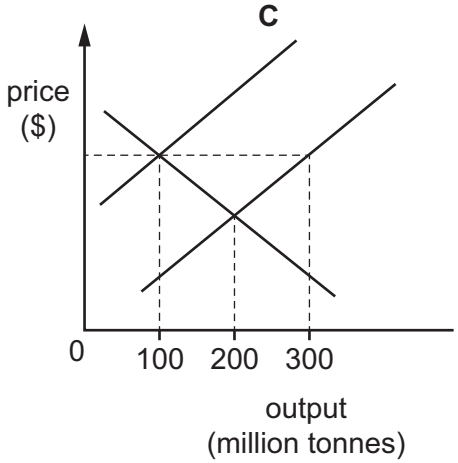
A



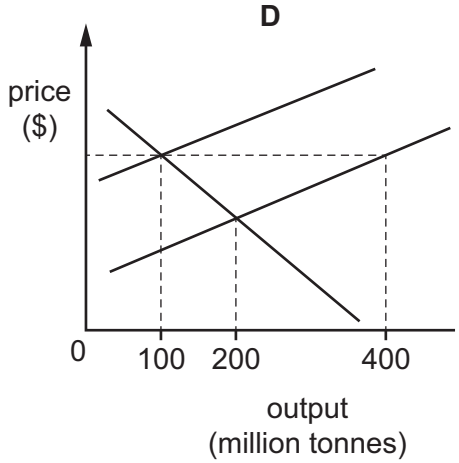
B



C



D



15 The table shows a firm's costs for producing bicycles.

number of bicycles	0	1	2	3	4	5
total cost ($)	20	30	40	50	60	70

Which statement is correct?

A The average cost of producing 4 bicycles is $15.

B The average fixed cost of producing 2 bicycles is $20.

C The total fixed cost is $10.

D The total variable cost of producing 3 bicycles is $50.

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16 What is **not** likely to be a conflict between government macroeconomic aims?

A economic growth and balance of payments stability

B full employment and low inflation

C redistribution of income and full employment

D stable prices and low unemployment

17 What will reduce income inequality?

A increased indirect taxation

B increased progressive taxation

C increased regressive taxation

D increased tax-free allowances

18 A government decides to increase the rate of growth of domestic production through expansionary fiscal policy.

Which combination of measures will it use?

A decrease the money supply and increase the rate of interest

B increase the money supply and decrease the rate of interest

C decrease taxes and increase government expenditure

D increase taxes and decrease government expenditure

19 The table shows economic indicators for an economy over a one-year period.

Which indicator **most** likely caused economic growth?

A	B	C	D
investment +3%	unemployment +2%	inflation +1%	saving +4%

20 What is the link between a change in the interest rate and investment?

	interest rate	investment
A	decrease	increase
B	decrease	decrease
C	increase	increase
D	increase	constant

21 Which two types of citizens are counted in the calculation of the unemployment rate?

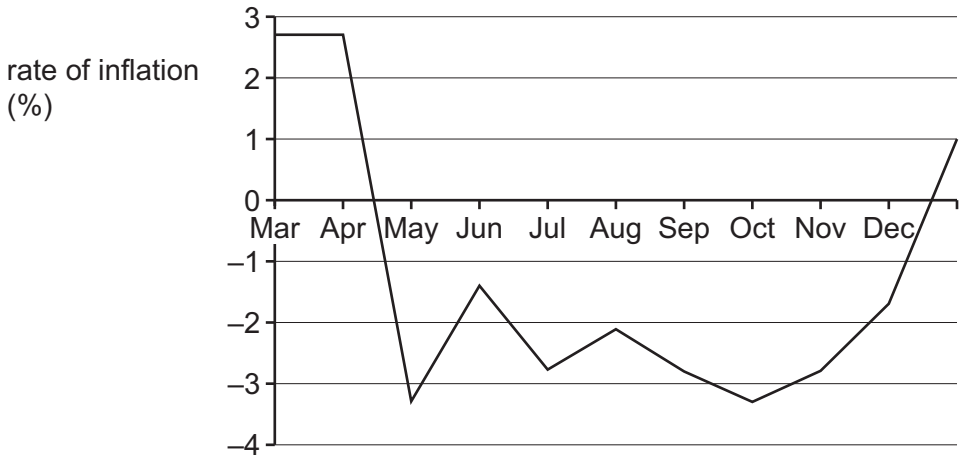
	type 1	type 2
A	full-time student	unemployed and not willing to work
B	prisoner	stay-at-home parent
C	retired	voluntarily unemployed
D	unemployed and willing to work	employed

22 An economy has a budget deficit and a high rate of inflation.

What is likely to be the consequence of a rise in unemployment?

	budget deficit	inflation rate
A	larger	higher
B	larger	lower
C	smaller	higher
D	smaller	lower

23 The graph shows what happened to the rate of inflation in Chad for the period from March to December.



Which statement about the general price level in Chad over this period is correct?

A It was at its highest in March.

B It was at its lowest in October.

C It was at its lowest in December.

D It was unchanged between March and April.

24 The Human Development Index (HDI) is one indicator of a country's living standards.

What is included in the HDI?

A birth rate, unemployment rate, number of schools

B death rate, inflation rate, mean years of education

C life expectancy, income per head, mean years of education

D life expectancy, total GDP, number of schools

25 A newspaper article on 'Poverty in Country X' included the following statements.

1 The poverty line is living on less than $2 a day.

2 Those on average income consume five times more calories per day than those on the lowest incomes.

Which type of poverty is described in each of these statements?

	statement 1	statement 2
A	absolute	absolute
B	absolute	relative
C	relative	absolute
D	relative	relative

26 What is usually found in a low-income country when comparing it with a high-income country?

A a larger agricultural sector and less subsistence farming

B lower levels of productivity of capital and higher levels of productivity of labour

C relatively faster growth of population and an older average age

D relatively lower levels of saving and a less skilled workforce

27 A country removes all tariffs on imported goods.

What is a benefit of this change to consumers?

A Export prices will fall.

B Import prices will fall.

C Tariff revenue will fall.

D The exchange rate will fall.

28 A person in country X receives a dividend payment on shares that they hold in a firm in country Y.

In which section of the current account of the balance of payments for country X will this dividend appear?

A primary income

B secondary income

C trade in goods

D trade in services

29 'International companies have made substantial investments in computer production in India. India is now a major centre of the world computer industry. Profit margins are high since labour costs are a tenth of those in the US.'

What does this suggest is the reason for companies locating in India rather than in the US?

A access to cheap land

B availability of capital investment

C availability of investment funds

D competitive wage rates

30 The UK wants to increase exports to the US.

Which action will **most** likely achieve this?

A borrowing US dollars from international banks

B devaluing UK pounds against the US dollar

C placing a quota on imports from the US

D selling US dollars to buy UK pounds

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