Cambridge Assessment International Education

# Cambridge IGCSE™

**ECONOMICS** **0455/12**

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** What is an example of a free good?

**A** defence

**B** education

**C** health services

**D** sunshine

**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?

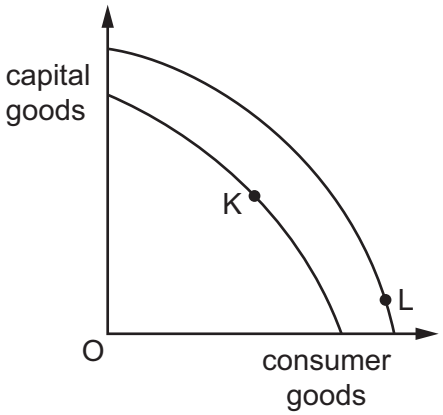
**A** an opportunity cost equal to $95

**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** The diagram shows two production possibility curves for a country.




What might cause a shift from point K to point L in the country's production?

**A** a change in what consumers want to buy

**B** a recession

**C** more investment

**D** the use of previously unemployed resources

**4** Which relationship would be studied by an economist specialising in macroeconomics?

**A** the relationship between the inflation rate and the unemployment rate

**B** the relationship between the output of a firm and its costs of production

**C** the relationship between the price of a product and the quantity demanded by a consumer

**D** the relationship between the wage rate of workers and demand for labour in an occupation

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**5** In recent years, a government has started to make more use of the free market system. However, they are doing it very slowly to avoid the disadvantages that a free market system might bring.

What is a possible disadvantage of the free market system?

**A** decreased incentive to work

**B** decreased levels of pollution

**C** increased efficiency

**D** increased inequality of income

**6** What will cause the demand curve for a good to shift to the right?

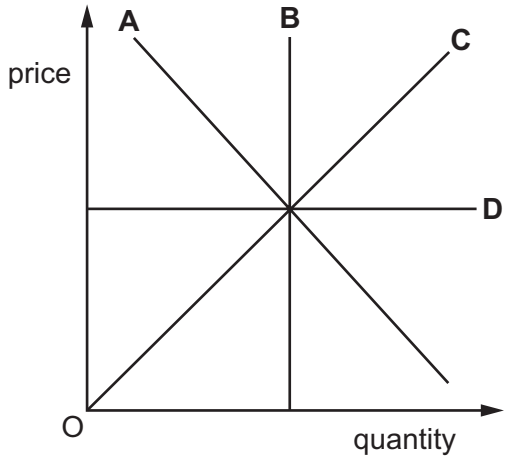
**A** a decrease in the disposable income of consumers

**B** a decrease in the price of a complement good

**C** a decrease in the price of a substitute good

**D** a decrease in the price of the good

**7** In the diagram, which demand curve has perfectly elastic demand?



**8** The table shows the demand and supply schedules for rice. The current price is $2.00 per kilo.

| price per kilo $ | quantity demanded (million tonnes) | quantity supplied (million tonnes) |
|---|---|---|
| 2.50 | 5 | 30 |
| 2.00 | 10 | 25 |
| 1.50 | 20 | 20 |
| 1.00 | 30 | 15 |
| 0.50 | 40 | 10 |

What will happen if the price is reduced to $1.00 per kilo?

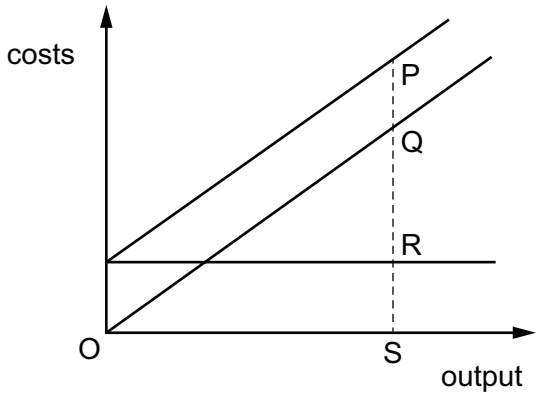
**A** The demand schedule will shift to the left.

**B** The market will move from shortage to surplus.

**C** The market will move from surplus to shortage.

**D** The supply schedule will shift to the right.

**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

**10** What could cause profits to be high in a monopoly market?

**A** barriers to entry

**B** diseconomies of scale

**C** elastic demand for the product

**D** high number of substitutes for the product

**11** Which firm is **most** likely to be classified as a small firm in the tertiary sector?

**A** a farm

**B** a hairdresser

**C** a steelworks

**D** a supermarket

**12** Germany is considered a capital-intensive economy while Indonesia is considered a labour-intensive economy.

What does this mean about the economies of Germany and Indonesia?

**A** Capital is relatively cheaper than labour in Germany while labour is relatively cheaper than capital in Indonesia.

**B** Germany has many primary sector workers while Indonesia has many tertiary sector workers.

**C** Indonesia has a higher growth in its population size than Germany.

**D** Relatively more low-cost labour is available in Germany while capital is more efficient than labour in Indonesia.

**13** A bank continues to operate loss-making branches.

Which objective is the bank trying to achieve?

**A** growth

**B** efficiency

**C** profit maximisation

**D** social welfare

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

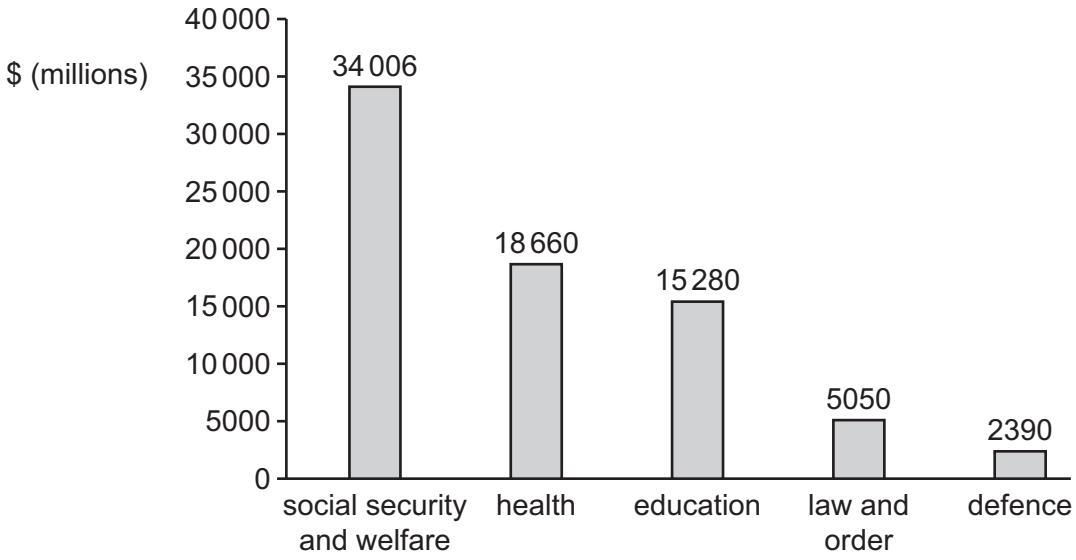
**C** $Z \rightarrow X \rightarrow Y$

**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** The chart shows a government's spending in a year.




What was the total government spending on public goods?

**A** $2390 million

**B** $5050 million

**C** $7440 million

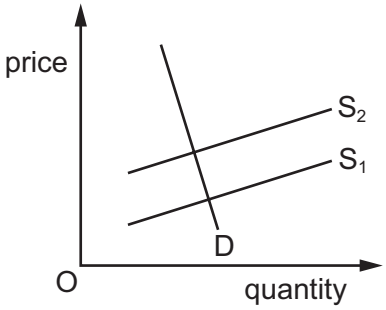
**D** $33 940 million

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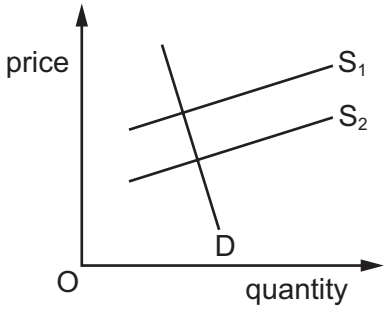
**17** A government levies a specific tax on the supply of cigarettes. At the same time it starts a campaign to explain the health risks of smoking cigarettes.

Which diagram illustrates the effects on the demand and supply of cigarettes?

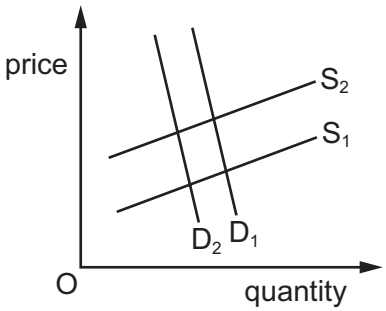
**A**



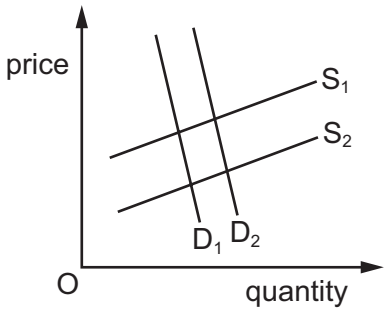

**B**




**C**




**D**




**18** A government wishes to pursue an expansionary monetary policy.

What should it do?

**A** discourage bank lending

**B** give subsidies to firms

**C** lower income tax thresholds

**D** lower interest rates

**19** A government introduces a series of economic measures.

What is a supply-side policy measure?

**A** building more affordable homes to improve labour mobility

**B** controlling consumer spending to reduce inflation

**C** lowering interest rates to encourage purchase of expensive goods

**D** raising pensions to help retired people pay their fuel bills

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**[Turn over**

**20** What is identified as economic growth?

**A** a fall in labour productivity

**B** an increase in the productive capacity of the economy

**C** an increase in the Consumer Prices Index (CPI)

**D** the economy enters a period of recession

**21** The retail trade in a country has unemployed workers in one region and job vacancies in another region.

What could explain this?

**A** Costs of employing workers are lower when there is unemployment.

**B** It is more expensive to live in the area where the retail jobs are available.

**C** Retailing demands the same skills everywhere.

**D** The geographical mobility of labour has increased.

**22** A country wishes to reduce the level of inflation.

Which combination of policy measures will be **most** successful?

| | policy measure 1 | policy measure 2 |
|---|---|---|
| **A** | decrease exchange rates | increase interest rates |
| **B** | decrease interest rates | increase exchange rates |
| **C** | increase government spending | decrease interest rates |
| **D** | increase interest rates | decrease government spending |

**23** A government wants to reduce both its budget deficit and the amount of poverty in its country.

Which fiscal policy measure is **most** likely to achieve both of these aims?

**A** decreasing the rate of progressive income tax

**B** decreasing government spending on welfare benefits

**C** increasing the rate of progressive income tax

**D** increasing government spending on welfare benefits

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**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

**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** The price of a currency in a fixed exchange rate system is reduced.

What is this called?

**A** appreciation

**B** depreciation

**C** devaluation

**D** revaluation

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**[Turn over**

**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** What is **most** likely to result from a reduction in the value of a country's currency if there are no other changes in the economy?

**A** A trade in goods surplus will fall.

**B** Export prices will rise.

**C** Import prices will rise.

**D** The inflation rate will fall.

**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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