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.

IB22 06_0455_12/FP
© UCLES 2022

1 What is an example of a free good?

View solution

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.

View solution

What does this involve?

A an opportunity cost equal to $95

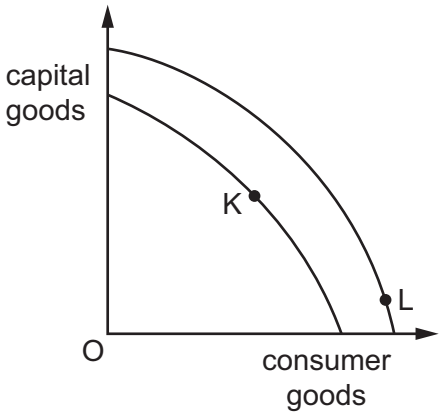
B an opportunity cost equal to other goods she could have bought for $5

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.

View solution



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?

View solution

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

© UCLES 2022

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.

View solution

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?

View solution

A a decrease in the disposable income of consumers

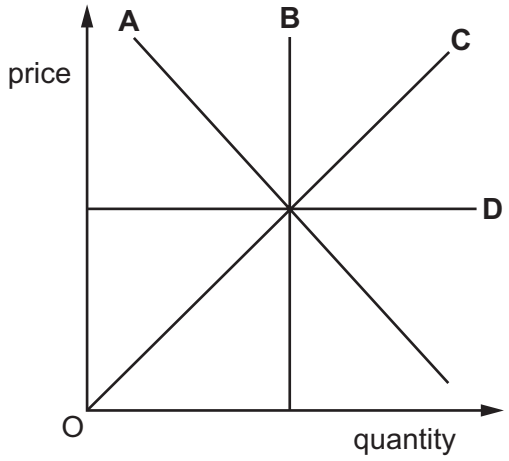
B a decrease in the price of a complement good

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?

View solution



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

View solution

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.

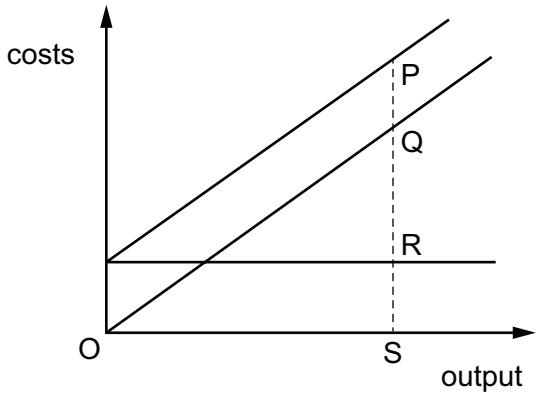
B The market will move from shortage to surplus.

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.

View solution



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?

View solution

A barriers to entry

B diseconomies of scale

C elastic demand for the product

D high number of substitutes for the product

© UCLES 2022

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

View solution

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.

View solution

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.

View solution

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.

View solution

	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 $Z \rightarrow Y \rightarrow X$

© UCLES 2022

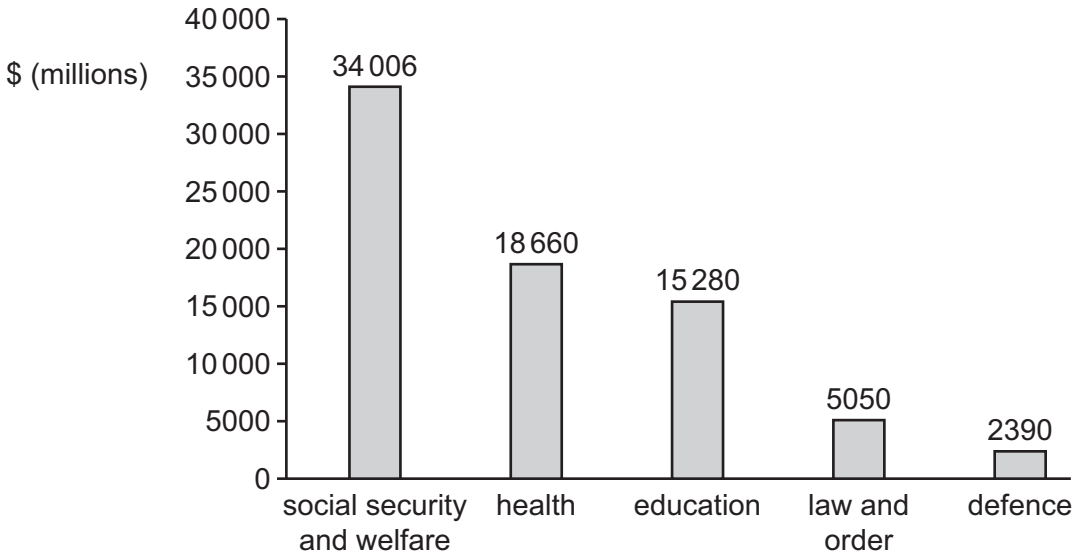
15 Which activity is correctly linked to the organisation that provides it?

View solution

	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.

View solution



What was the total government spending on public goods?

A $2390 million

B $5050 million

C $7440 million

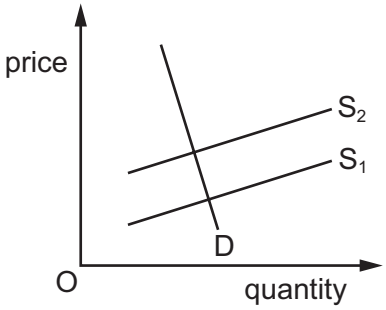
D $33 940 million

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.

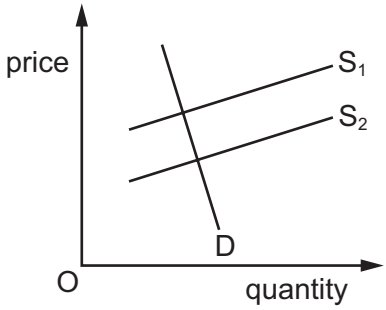
View solution

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

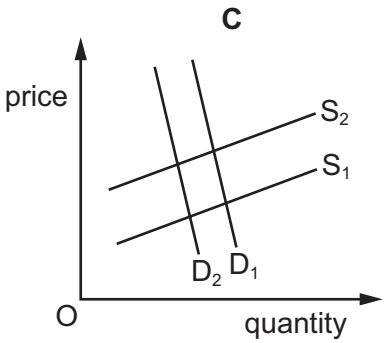
A



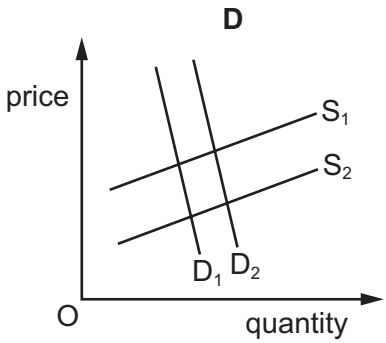
B



C



D



18 A government wishes to pursue an expansionary monetary policy.

View solution

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.

View solution

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

© UCLES 2022

20 What is identified as economic growth?

View solution

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.

View solution

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.

View solution

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.

View solution

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

© UCLES 2022

24 Which components, in addition to Gross Domestic Product (GDP) per head, are included in the Human Development Index (HDI)?

View solution

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?

View solution

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.

View solution

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.

View solution

What is this called?

A appreciation

B depreciation

C devaluation

D revaluation

© UCLES 2022

28 A government removed the quota on goods imported into the country.

View solution

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?

View solution

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.

View solution

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

© UCLES 2022

BLANK PAGE

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge Assessment International Education is part of Cambridge Assessment. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which is a department of the University of Cambridge.

© UCLES 2022