



# Cambridge IGCSE™

## ECONOMICS

0455/12

Paper 1 Multiple Choice

February/March 2025

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.



1 What is classed as the factor of production land?

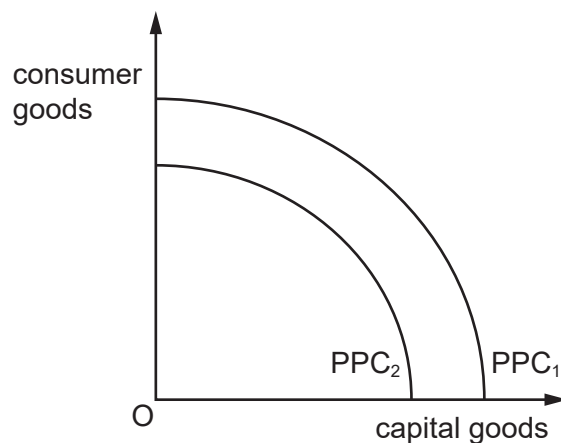
- A an airport
- B a car park
- C a doctor's office
- D a forest

2 An economics graduate chooses to work in a bank rather than teach economics which was the next best alternative.

Which cost is incurred as a result of this decision?

- A external cost
- B internal cost
- C opportunity cost
- D private cost

3 The diagram shows an initial production possibility curve of  $PPC_1$ .



What is likely to have caused the movement of the production possibility curve  $PPC_1$  to  $PPC_2$ ?

- A a decline in non-renewable resources
- B a decline in the opportunity cost of consumer goods
- C an increase in investment
- D an increase in unemployment

4 What is an example of microeconomics?

- A a fall in the cost of growing wheat
- B a fall in the unemployment rate
- C an increase in the rate of inflation
- D an increase in government spending

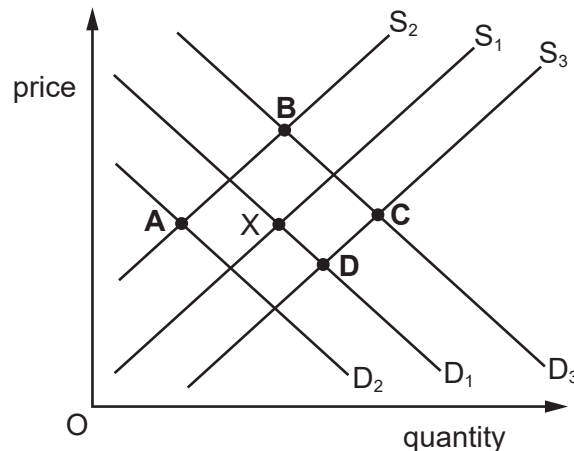
5 There are three key questions to be decided in determining resource allocation within an economy.

What does **not** relate to one of the choices in the three key questions?

- A whether all income groups receive the output
- B whether consumer or industrial goods are produced
- C whether economic goods or free goods are supplied
- D whether labour or capital is used in production

6 The diagram shows demand and supply curves for a good. The market is in equilibrium at point X.

What would be the new equilibrium position if there were a successful advertising campaign for the good and an increase in the cost of raw materials?



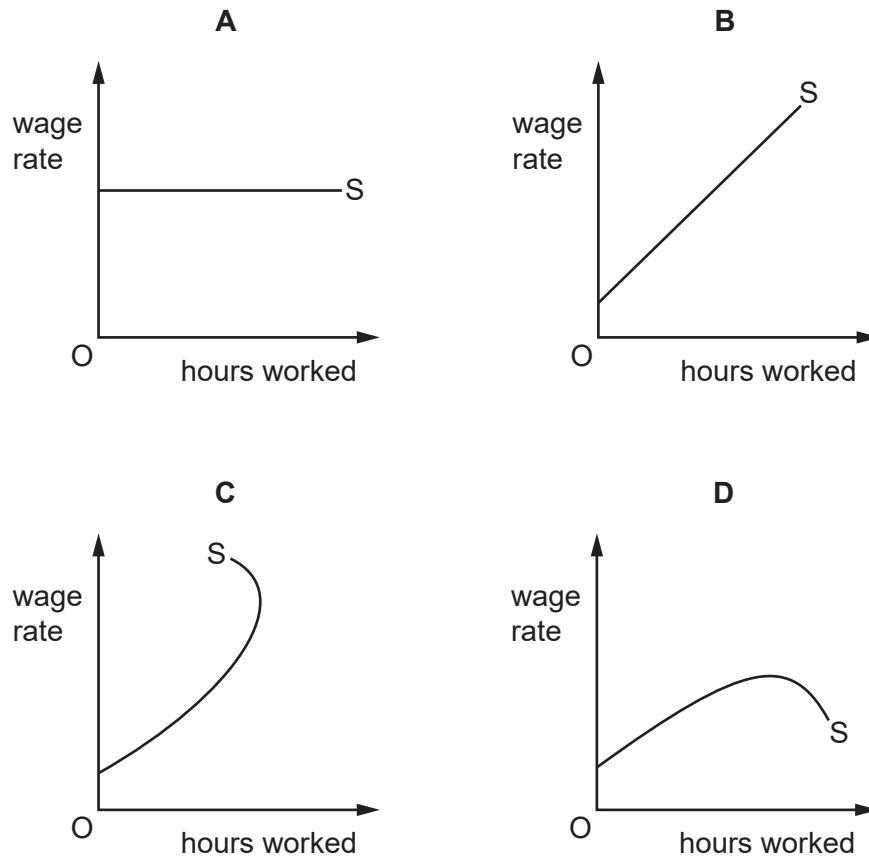
- 7 The price elasticity of demand for smartphones is believed to be  $-2.0$ . A manufacturer decides to cut prices by 10%.

What will be the effect of this change in price?

- A demand will fall by 20%
  - B demand will rise by 5%
  - C quantity supplied will remain unchanged
  - D revenue will increase
- 8 What is a characteristic of a market economic system?
- A consumers decide whether production is labour-intensive or capital-intensive
  - B factors of production are government-owned
  - C high levels of government intervention
  - D land and capital are privately owned
- 9 A government intends to build a new road through a forest.
- What will be an external cost of this?
- A the cost of building the road
  - B the loss suffered by those who would have used the forest
  - C the cost of maintaining the road
  - D the new jobs created from the construction of the road
- 10 Which function does a central bank provide for the general public?
- A accepting deposits
  - B issuing banknotes
  - C making loans
  - D providing overdrafts

- 11** At higher wage rates an individual prefers to work shorter hours than receive extra income.

Which curve shows this?



- 12** In some countries, there has been a significant reduction in the number of trade union members.

Who are the members of trade unions?

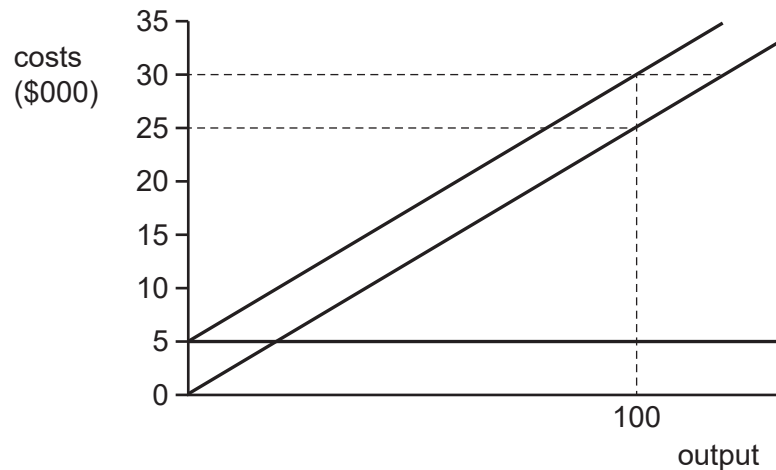
- A** employers
  - B** exporters
  - C** importers
  - D** workers
- 13** What would be most likely to encourage a firm to grow internally?
- A** when diseconomies of scale occur at low levels of output
  - B** when economies of scale occur at high levels of output
  - C** when new firms enter the market and increase competition
  - D** when the firm only supplies the local market

- 14** A car-wash firm has 3 workers. Before specialisation, each worker washed 5 cars per day. After specialisation, 30 cars per day are washed.

What is the percentage increase in productivity?

- A** 50%                      **B** 100%                      **C** 200%                      **D** 600%

- 15** The diagram shows the fixed costs, variable costs and total costs of a firm.



What is the firm's total variable cost at an output of 100 units?

- A** \$25                      **B** \$5000                      **C** \$25 000                      **D** \$30 000

- 16** The table shows the average revenue of a firm at various levels of output.

output	average revenue (\$)
1	10
2	8
3	6
4	4

What happens to total revenue as output rises?

- A** Total revenue falls and then rises.  
**B** Total revenue falls continuously.  
**C** Total revenue rises and then falls.  
**D** Total revenue rises continuously.

**17** What is the definition of a government budget?

- A** a forecast of government spending and revenue for the following financial year
- B** an account of government taxation revenues for the current financial year
- C** an estimate of government capital spending for the current financial year
- D** an explanation of government spending for the following financial year

**18** A government decides to increase defence expenditure and reduce direct taxes.

Which type of policy is this?

- A** exchange rate policy
- B** fiscal policy
- C** monetary policy
- D** trade protection policy

**19** Governments use monetary policy such as increasing the rate of interest.

What is a result of increasing the rate of interest?

- A** It creates disincentives for wage earners.
- B** It discourages investment by entrepreneurs.
- C** It reduces the disposable income of consumers.
- D** It reduces government transfer payments.

- 20** The table shows the distribution of the working population in millions (m) in various sectors of an economy over two years.

economic sector	year 1 employment (m)	year 2 employment (m)
education	4	3
engineering	6	8
farming	2	1
finance	8	6
healthcare	4	5
motor vehicle production	5	5
oil extraction	2	2

What can be concluded from the information?

- A** Less output was produced in the economy in year 2 than year 1.
  - B** Fewer people were employed in the secondary sector in year 1 than year 2.
  - C** More people were employed in the primary sector in year 2 than year 1.
  - D** More people were employed in the tertiary sector in year 2 than year 1.
- 21** Which government intervention would increase the geographic mobility of labour?
- A** controlling firms locating in areas of low employment
  - B** giving grants to firms moving into areas of high unemployment
  - C** providing relocation expenses for workers
  - D** subsidising declining industries
- 22** Which action by employers is most likely to reduce long-term economic growth?
- A** allowing workers time off to attend retraining courses
  - B** encouraging workers to work flexibly in different roles
  - C** granting workers regular short breaks during the working day
  - D** replacing skilled workers with semi-skilled workers



- 23** The table shows the weights attached to various categories of goods in a Consumer Prices Index (CPI) in two years.

CPI category	year 1	year 2
clothing	100	200
food	400	300
energy	100	100
household goods	200	100
motoring	200	300
total	1000	1000

What can be concluded from the table when comparing year 1 and year 2?

- A** Real income spent by the average consumer on motoring increased.
  - B** The cost of producing food has fallen.
  - C** The CPI has not changed over the two years.
  - D** The proportion of income spent on clothing has increased.
- 24** The table shows the Human Development Index (HDI) values for two countries.

country	HDI value
X	0.90
Y	0.45

What might explain the difference in the HDI values?

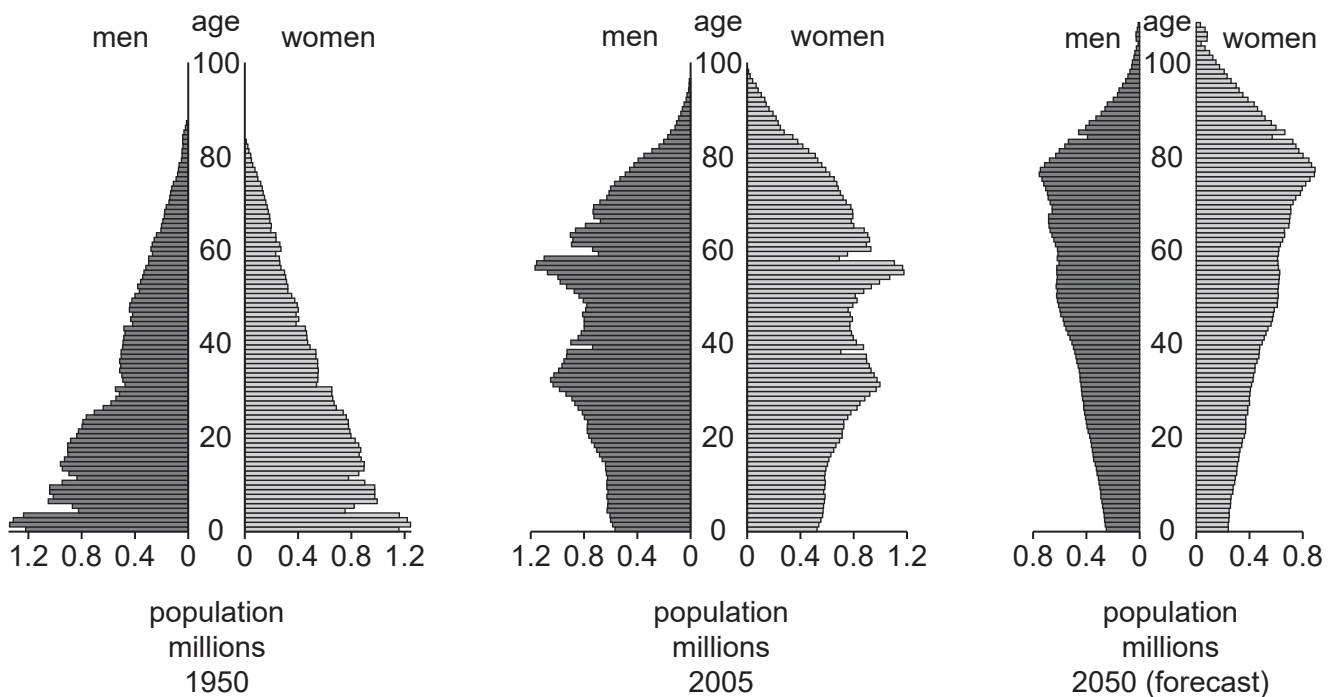
- A** Country X has double the inflation rate of country Y.
- B** Country X has half the population of country Y.
- C** Country X spends more of its real GDP on foreign aid than country Y.
- D** Country X spends more of its real GDP on schooling than country Y.

**25** Wealthy countries have people who live in relative poverty.

What is the most likely cause of this?

- A** generous state pensions
- B** low national minimum wage
- C** progressive taxation
- D** subsidised healthcare

**26** The diagram shows population data for a country for 1950, 2005 and 2050.



What can be concluded from the diagram?

- A** Men outnumber women in each year.
- B** People are living longer over the period.
- C** The population has grown continuously.
- D** The workforce has grown continuously.

- 27** A country has large reserves of oil. It decides to produce a wide range of goods rather than specialise in oil production.

What is **not** an acceptable reason in support of this decision?

- A** Oil is a non-renewable resource that could be exhausted quickly.
- B** Producing a wide range of goods increases the benefits from free trade.
- C** Relying on other countries for vital goods and services makes a country vulnerable.
- D** The price of oil is volatile, making export revenue unstable.

- 28** The US puts a 25% tariff on Chinese steel to protect jobs in the US steel industry.

Under which condition would this policy be most effective?

- A** The price elasticity of demand for Chinese steel is  $-2.5$ .
- B** The price elasticity of demand for Chinese steel is  $-0.5$ .
- C** The price elasticity of supply for Chinese steel is  $2.5$ .
- D** The price elasticity of supply for Chinese steel is zero.

- 29** What might a central bank do to stop a fall in the value of its country's currency?

- A** raise interest rates
- B** reduce taxes on imports
- C** remove controls on currency outflows
- D** sell their currency on the foreign exchange market

- 30** A government wishes to reduce the surplus on the current account of its balance of payments.

Which policy is likely to achieve this?

- A** cutting government spending
- B** devaluing its currency
- C** increasing existing import quotas
- D** increasing import duties

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