Cambridge Assessment International Education

Cambridge IGCSE™

ECONOMICS **0455/12**

Paper 1 Multiple Choice **February/March 2024**

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 causes economic agents to make choices?

A limited needs and wants

B the existence of finite resources

C the existence of free goods

D the market mechanism

2 A government announces that it will spend an extra $10bn on healthcare, financed by reducing expenditure on defence.

What is the economic concept represented by this decision?

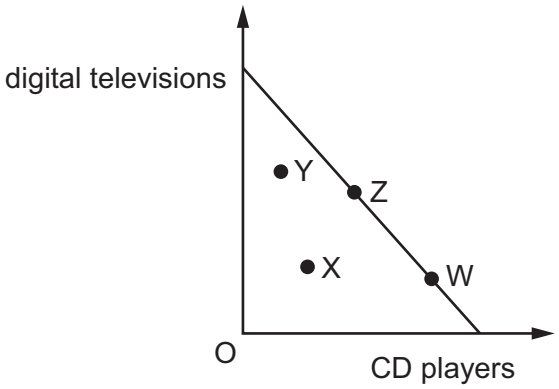
A expansionary monetary policy

B increased spending on a public good

C opportunity cost

D the operation of the market mechanism

3 The diagram shows a production possibility curve (PPC) for digital televisions and CD players.

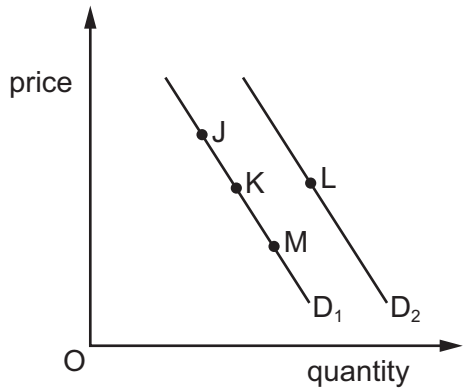


Which movement shows an increase in the use of existing resources to increase production for both digital televisions and CD players?

A X to W **B** X to Z **C** Z to W **D** Z to Y

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4 The diagram shows points on two demand curves.



Which movement between points shows a contraction in demand?

A K to J **B** K to M **C** L to K **D** M to L

5 What would **not** cause a shift in the supply curve?

A changes in costs of production

B changes in direct taxes

C changes in indirect taxes

D changes in a subsidy from the government

6 For health reasons, consumers decide that they want to eat more vegetables and less meat.

What price signals would the market system send to reallocate resources so that consumers get what they want?

	price of vegetables	price of meat
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

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7 What is a likely benefit of a country moving from a mixed economy to a market economy?

A less inequality

B more nationalisation

C more public goods

D reduced costs of production

8 What is an external cost of smoking cigarettes?

A the cost of the cigarette packaging

B the cost to non-smokers' health

C the cost to smokers

D the tax on cigarettes

9 A firm is considering doubling the price of its product.

Which price elasticity of demand (PED) for its product would give it the greatest increase in revenue?

A 0.0 **B** −0.5 **C** −1.0 **D** −2.0

10 The table shows information about four financial institutions.

Which institution is most likely to be a commercial bank?

	it is the government's bank	it is owned by shareholders
A	no	no
B	no	yes
C	yes	no
D	yes	yes

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11 What shows a forwards vertical merger?

A A smartphone producer buys a computer chip producer.

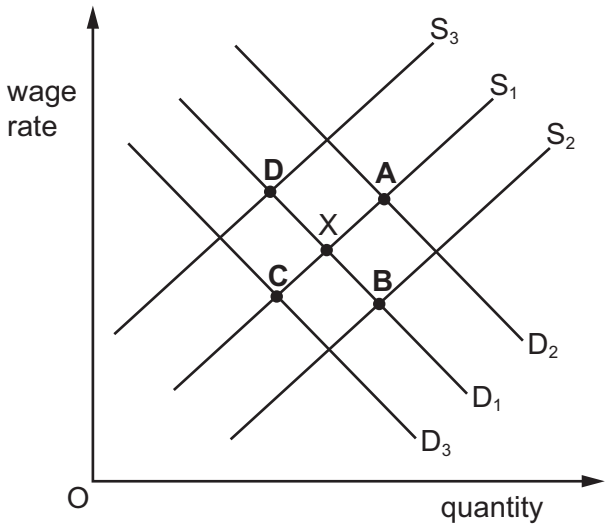
B A steel producer buys a car producer.

C A tractor producer buys a wheat producer.

D An oven producer buys a washing machine producer.

12 The diagram shows the demand for and the supply of labour for farm workers. The initial equilibrium is X.

What will be the new equilibrium if there is an increase in labour productivity?



13 Which service is most likely to be supplied by a small business?

A banking

B dental treatment

C energy distribution

D rail travel

14 When a firm produces 100 units, its total variable cost is $1000 and its total fixed cost is $4000.

What is the firm's average total cost?

A $10 **B** $30 **C** $40 **D** $50

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15 At a price of $5, the demand for a firm's product is 1000 units per week. When its price rises to $10, the demand for its product falls to 600 units per week.

What are the changes in the firm's average revenue (AR) and total revenue (TR) per week when the price of its product rises?

	change in AR $	change in TR per week $
A	+5	+1000
B	+5	+6000
C	+10	+1000
D	+10	+6000

16 A monopoly firm can often earn greater profits than a firm in a competitive market.

Which characteristic of monopoly is most likely to cause this?

A It can restrict the entry of new firms.

B It is a price-taker.

C It is protected by the government.

D Its total costs are usually low.

17 An economy is experiencing a period of deflation with lower output and rising unemployment.

Which policy measure would the government be most likely to use to correct this?

A improve education and training

B increase interest rates

C reduce income tax

D reduce unemployment benefits

18 What is likely to increase with economic growth?

A cyclical unemployment

B income per head

C the budget deficit

D the stock of natural resources

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19 An economy has a high rate of inflation.

Which monetary policy measure is required to reduce inflation?

A a depreciation of its currency against the US dollar

B an increase in the money supply

C an increase in the rate of interest

D an increase in the basic rate of income tax

20 Three statements about policy measures are listed.

1 improved education and training

2 deregulation

3 reduction in the basic rate of income tax

What are the supply-side policy measures that would enable the government to make the income distribution more equal?

A 1, 2 and 3 **B** 1 and 2 only **C** 1 and 3 only **D** 2 only

21 In a mixed economy, a government provides some goods that markets cannot.

What is the name of these goods?

A free goods

B economic goods

C merit goods

D public goods

22 Which of these people would be classed as unemployed?

A a student who does not work

B a person who does not have a job and is actively looking for one

C a retired person who does not work

D an adult who does not have a job and stays at home to provide childcare

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23 The table shows the weights attached to four items in the Consumer Prices Index of a country in year 1 and in year 2.

item	year 1	year 2
food	33	33.5
transport	18	17.5
rent	11	10.5
clothing	9	10

Which conclusion can be drawn?

A food prices were higher in year 2 than in year 1

B people spent less on transport in year 2 than in year 1

C people spent more on food in year 2 than in year 1

D a greater proportion of income was spent on clothing in year 2 than in year 1

24 The table shows the percentage (%) shares of income going to different household income groups in a country in two years.

household income group	year 1 % share of income	year 2 % share of income
highest 20%	50	53
next highest 20%	20	22
next highest 20%	15	18
next highest 20%	10	5
lowest 20%	5	2

What can be concluded about the change over the period?

A The distribution of income has become more unequal.

B The number of households in the highest 20% has increased.

C The proportion of households in absolute poverty has increased.

D The proportion of households in relative poverty has fallen.

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25 An economy has a high rate of population growth.

What is most likely to have caused this?

A The average years of schooling is relatively high.

B The birth rate is lower than the death rate.

C The retirement age has increased.

D There are more immigrants than emigrants.

26 What is the most likely cause of an increase in poverty in developing economies?

A an increase in poor nutrition and ill-health

B an increase in education provision

C an increase in international tourism

D an increase in trade union bargaining power

27 Two countries wish to use their scarce resources to specialise in production and trade with each other.

Under which conditions is this most likely to happen?

	the resource allocations of the two countries	the ability of each country to reallocate their resources
A	different	difficult
B	different	easy
C	similar	difficult
D	similar	easy

28 What is a likely effect of imposing a tariff?

A It encourages home industries to be more efficient.

B It increases the demand for home-produced goods.

C It reduces the price of home-produced goods.

D It reduces the price of imports.

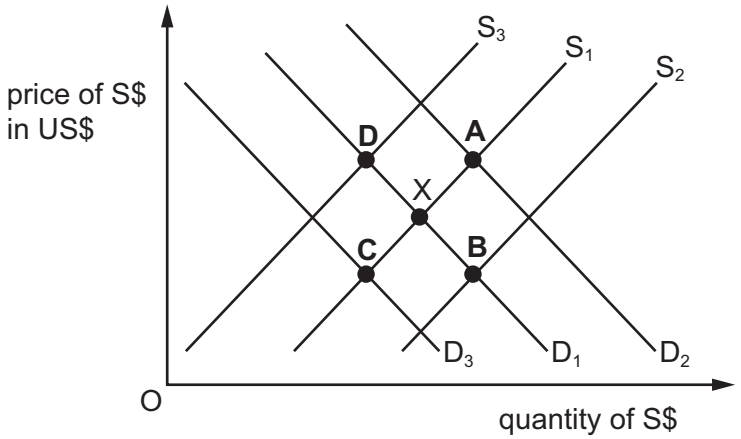
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29 The diagram shows the foreign exchange market for the Singapore dollar (S$) in exchange for the United States dollar (US$). The initial equilibrium point is at X.

The following month, Singapore imports more goods from the US but there is no change in Singapore exports to the US.

What is the new equilibrium point?



30 What is included in the primary income component on the current account of the balance of payments?

A dividends and interest from investment in other countries

B expenditure on accommodation by international tourists visiting a country

C expenditure on imported raw materials

D social security payments paid to residents living abroad

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