Cambridge Assessment International Education

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.

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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?

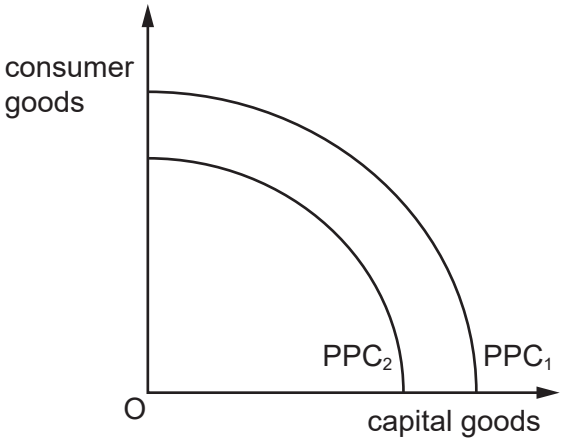
A external cost

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

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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

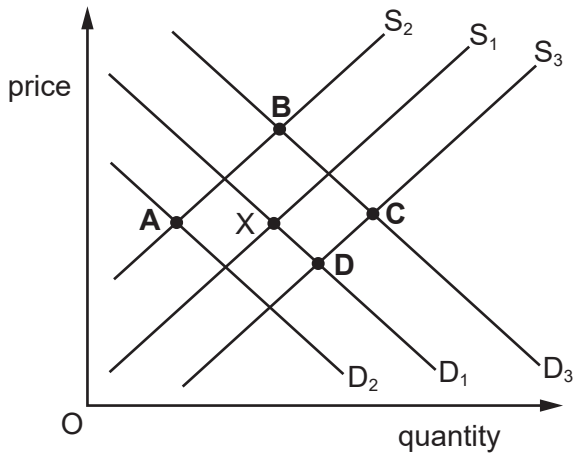
B whether consumer or industrial goods are produced

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

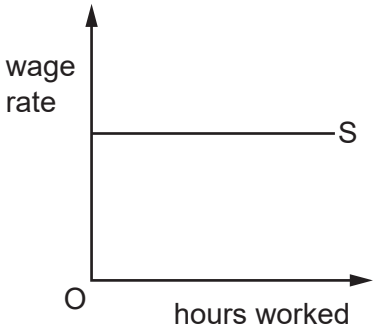
D providing overdrafts

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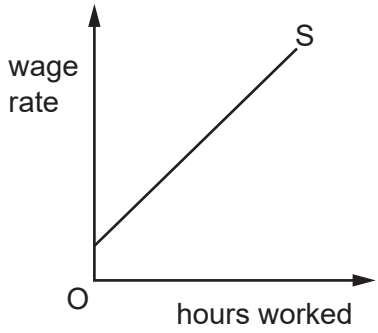
11 At higher wage rates an individual prefers to work shorter hours than receive extra income.

Which curve shows this?

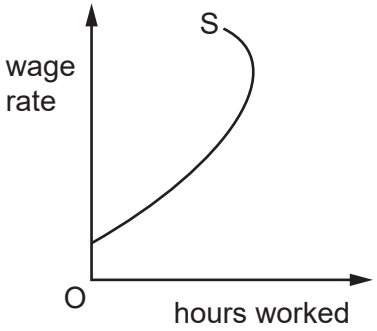
A



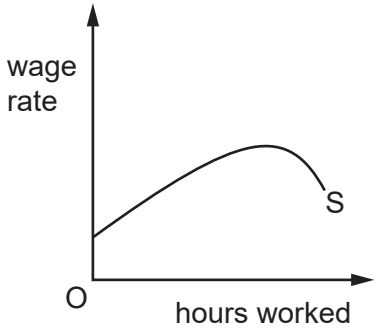
B



C



D



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

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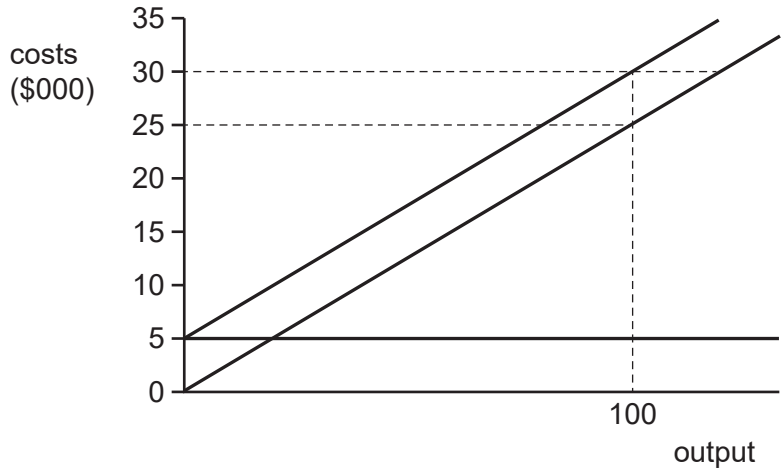
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14 A car-wash firm has 3 workers. Before specialisation, each worker washed 5 cars per day. After specialisation, 30 cars per day are washed.

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.

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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.

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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

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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.

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25 Wealthy countries have people who live in relative poverty.

What is the most likely cause of this?

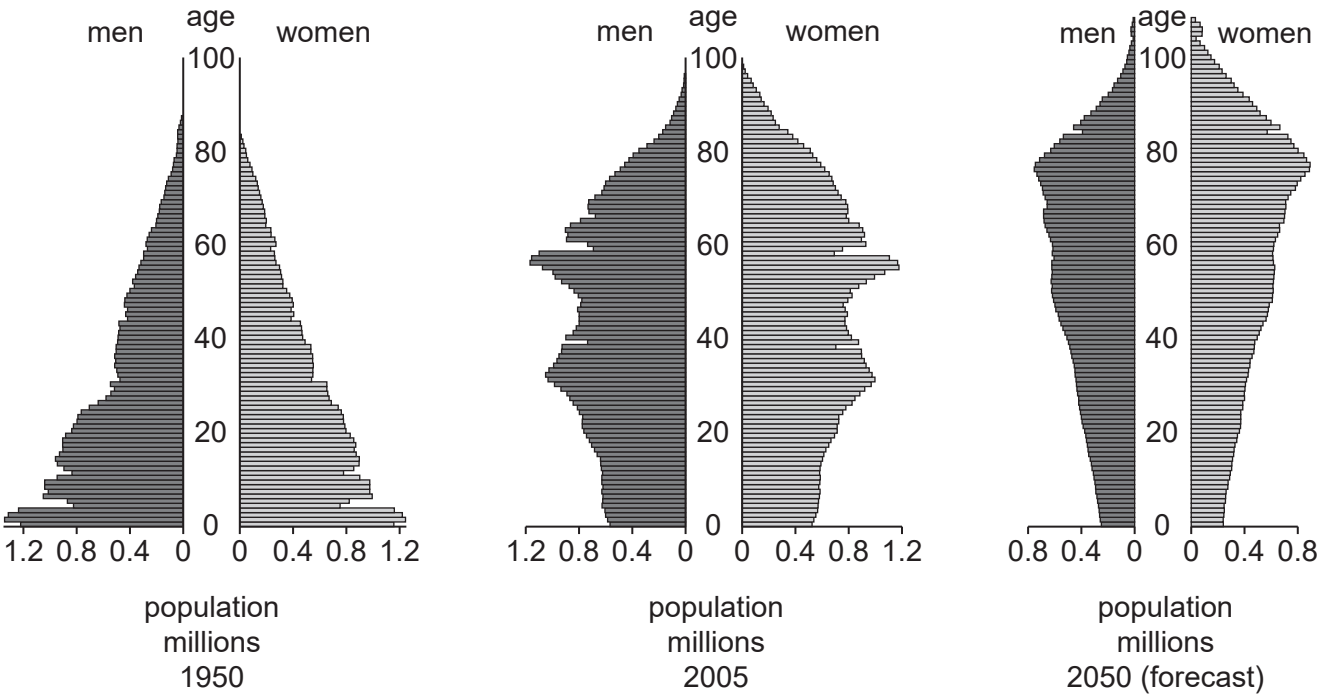
A generous state pensions

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.

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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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