



# Cambridge IGCSE™

## ECONOMICS

0455/12

Paper 1 Multiple Choice

May/June 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.

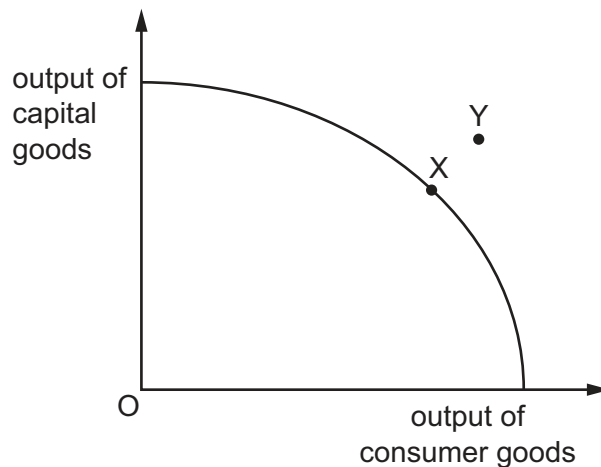
- 1 A university rejects 2000 qualified applicants who wish to study there.

Which factor of production could have caused the university to make this decision?

- A infinite quantity of capital
  - B scarcity of labour
  - C surplus of land
  - D unlimited supply of enterprise
- 2 Sanjay, a coal miner, became unemployed when the only local mine closed. He lives in a village near family and friends and would like to stay in the same village.

What is the cause of Sanjay's occupational immobility?

- A a desire to live near family and friends
  - B no relevant skills
  - C the cost of travelling for work
  - D unaffordable housing
- 3 The diagram shows the production possibility curve (PPC) for an economy that is at point X.



Which change in the economy's labour market will allow it to reach point Y?

- A employed workers become more productive
- B unemployed workers find new jobs
- C workers emigrate for higher wages
- D workers retire at younger ages

4 What are both macroeconomic decisions?

	decision 1	decision 2
<b>A</b>	a school recruits more teachers	a firm sets the prices for its products
<b>B</b>	a central bank reduces money supply	a government spends more on defence
<b>C</b>	a government increases tax rates	a farmer decides which crops to grow
<b>D</b>	a household cuts its energy use	a worker accepts an offer of overtime

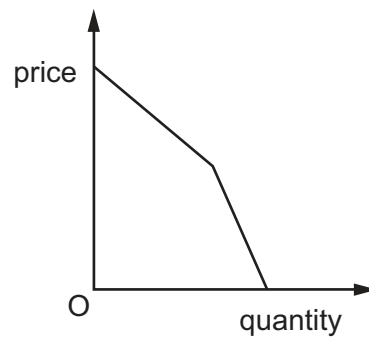
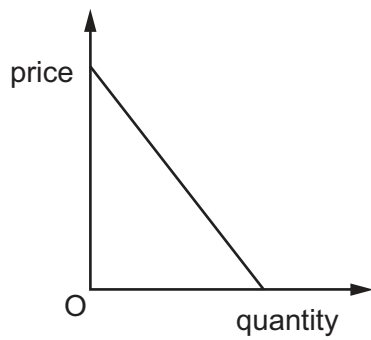
5 The table shows the quantity of coffee demanded per day and the quantity supplied per day.

price (\$) per kilo	demand (kilos)	supply (kilos)
12	16	26
11	18	23
10	20	20
9	22	17
8	24	14
7	26	11

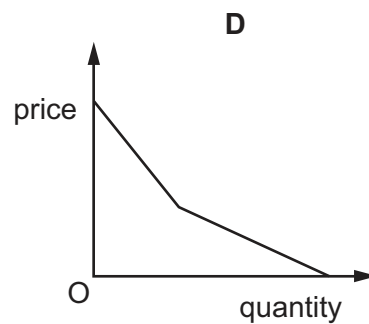
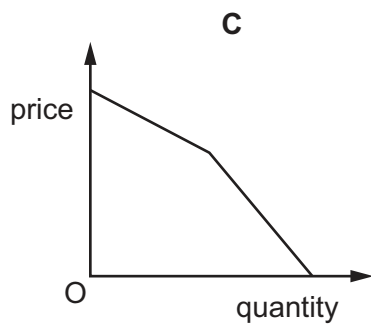
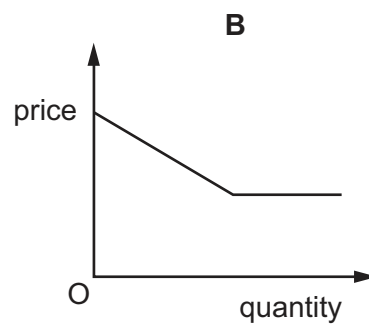
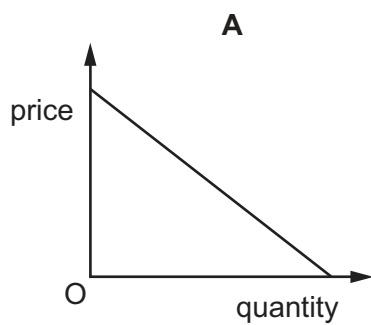
At the equilibrium price, what will be the total expenditure on coffee?

- A** \$10                      **B** \$20                      **C** \$200                      **D** \$400

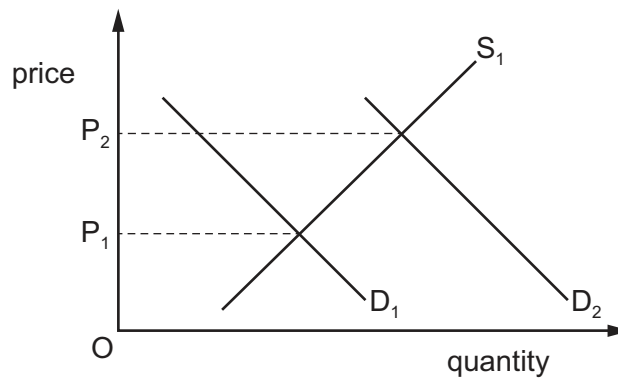
- 6 The diagrams show the demand curves for the only two buyers in a market.



What will be the shape of the market demand curve for the good?



- 7 The diagram shows the market for ice cream and the effects of very hot weather.



If prices had remained at  $P_1$  even during the hot weather, what was likely to have happened in the market for ice cream?

- A equilibrium
  - B excess supply
  - C rising profits
  - D shortage
- 8 The supply of which good is likely to be most price elastic?

	the good is easily stored	time taken to produce the good
A	no	one day
B	no	one year
C	yes	one day
D	yes	one year

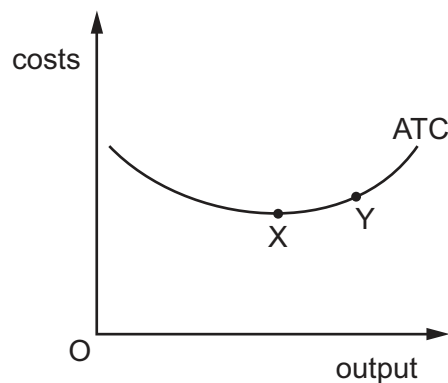
- 9 What is a characteristic of a demerit good?
- A it is more beneficial to the consumer than they realise
  - B it is overconsumed in the free market
  - C it is underproduced in the free market
  - D it provides external benefits

- 10 The table shows the average wage in four countries, **A**, **B**, **C** and **D**.

In which country is there the greatest relative wage discrimination against female employees?

	male \$	female \$
<b>A</b>	100	80
<b>B</b>	120	60
<b>C</b>	140	100
<b>D</b>	300	200

- 11 The diagram shows the average total cost curve (ATC) for a firm after a merger.



Why is the movement from X to Y likely to result from this merger?

- A** Consumer demand is rising.
  - B** Marketing economies of scale occur at higher levels of output.
  - C** The firm faces problems of co-ordination between departments.
  - D** The firm is negotiating discounts through bulk buying.
- 12 A restaurant employs two chefs who make all of the meals that are served to customers.

What is most likely to increase the productivity of the chefs?

- A** a decrease in the number of customers in the restaurant
- B** a decrease in the chefs' pay
- C** an increase in the quality of the food
- D** an increase in training for the chefs

**13** What are fixed costs?

- A** costs that are divided by the amount produced
- B** costs that are present when output is zero
- C** costs that change according to the level of output
- D** costs that decrease when output increases

**14** The table shows the daily output and costs of four firms making chairs.

Which firm has the highest average cost of production?

	output (units)	fixed costs (\$)	variable costs (\$)
<b>A</b>	6	100	140
<b>B</b>	9	30	150
<b>C</b>	12	200	160
<b>D</b>	15	120	330

**15** The only information known about a firm is the price it charges for its product and the quantity it sells.

What else can be concluded from this?

- A** its average cost and profit
- B** its average cost and total revenue
- C** its average revenue and profit
- D** its average revenue and total revenue

**16** If a very competitive market becomes a monopoly, what will be likely to increase and what will be likely to decrease?

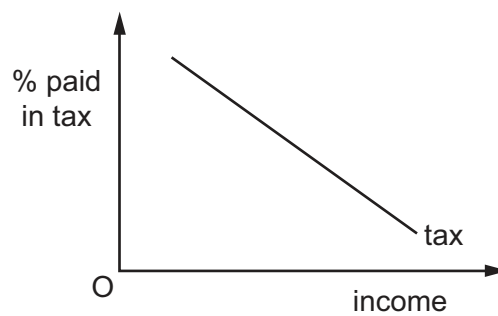
	increase	decrease
<b>A</b>	barriers to entry	economies of scale
<b>B</b>	consumer choice	prices
<b>C</b>	long-run profits	competition
<b>D</b>	output	market share

- 17 Many central banks around the world decreased interest rates during a recession caused by a pandemic.

What was the most likely macroeconomic aim of this policy?

- A economic growth
- B increase in the current account surplus
- C low inflation
- D redistribution of income

- 18 The diagram shows the percentage of income taken by a tax at different levels of income.



Which term is used to describe the tax?

- A indirect
  - B progressive
  - C proportional
  - D regressive
- 19 What is **not** a likely consequence of a rise in the budget deficit in a year?
- A a rise in government borrowing
  - B a rise in the level of exports
  - C a rise in the national debt
  - D a rise in the rate of inflation



- 20** When a government aims to encourage economic growth, it may adopt supply-side policies.

Which policy is a supply-side policy?

- A** increasing the money supply
- B** lowering interest rates
- C** reducing indirect taxation
- D** retraining unemployed workers

- 21** An economy that is fully employed is forecast to have an increase in total demand.

What is most likely to increase?

- A** the rate of absolute poverty
- B** the government budget deficit
- C** the level of unemployment
- D** the rate of inflation

- 22** A government conducted a labour force survey. It only included people of working age in the survey. The results are shown in the table.

	number of people
of working age	10 000 000
employed	7 000 000
unemployed	1 000 000
not seeking work	2 000 000

Which percentage of working-age people are in the labour force?

- A** 30%
- B** 70%
- C** 80%
- D** 90%

- 23** A school leaver is unable to find a job immediately after completing their education.

Which type of unemployment is this?

- A** cyclical
- B** frictional
- C** regional
- D** structural

**24** Which changes are likely to lead to the biggest increase in inflation in country X?

	demand for goods and services in country X	supply of goods and services in country X
<b>A</b>	5% decrease	5% decrease
<b>B</b>	5% decrease	5% increase
<b>C</b>	5% increase	5% decrease
<b>D</b>	5% increase	5% increase

**25** In rural areas in developing countries, farmers grow food for their own consumption.

Why might this mean that the GDP is a weak measure of the standard of living in those countries?

- A** The food grown is not exported.
- B** The GDP does not include agricultural production.
- C** The GDP only refers to the public sector.
- D** The value of the food is unknown.

**26** Japan's population has an increasing proportion of elderly people.

What is the likely impact of this on the Japanese economy?

- A** increased government budget deficit
- B** increased rate of economic growth
- C** increased rate of emigration
- D** increased use of labour-intensive methods of production

**27** An Argentine product initially sells in the US for \$50 when the exchange rate between the two countries is 5 pesos to 1 dollar (\$).

The exchange rate changes to 10 pesos to 1 dollar and the price of the product remains unchanged in Argentina.

What will be the new price of the product in the US?

- A** \$5
- B** \$25
- C** \$100
- D** \$500

28 Mining by multinational companies (MNCs) has both costs and benefits for the host nation.

Which activity is **least** likely to offer a benefit to the host nation?

- A developing courses for training in mining
- B investing in infrastructure to export minerals
- C repatriating profits and dividends
- D using new technology

29 The table shows the retail price at which the same book can be bought in four countries.

country	price in local currency	local currency
Australia	\$14.99	Australian dollars
Canada	\$11.99	Canadian dollars
New Zealand	\$20.95	New Zealand dollars
United Kingdom	£6.99	GB pound

What additional information is required to make a meaningful comparison of the price of the book between the countries?

- A direct tax rates
- B exchange rates
- C inflation rates
- D level of import tariffs

30 What is a consequence of a surplus on the current account of the balance of payments?

- A a decrease in GDP
- B a decrease in unemployment
- C a depreciation of the foreign exchange rate
- D deflation

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