Cambridge International Education

Cambridge IGCSE™

ECONOMICS **0455/12**

Paper 1 Multiple Choice **May/June 2026**

45 minutes

You must answer on the multiple choice answer sheet.

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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 or tape.
- 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. A mark will not be deducted for a wrong answer.
- 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 an example of a free good?

A Headphones given away with a new mobile phone.

B Machinery bought with a 0% interest bank loan.

C Sunshine that powers a solar energy farm.

D Water that has been purified and bottled.

2 What is the reward for the factor of production, capital?

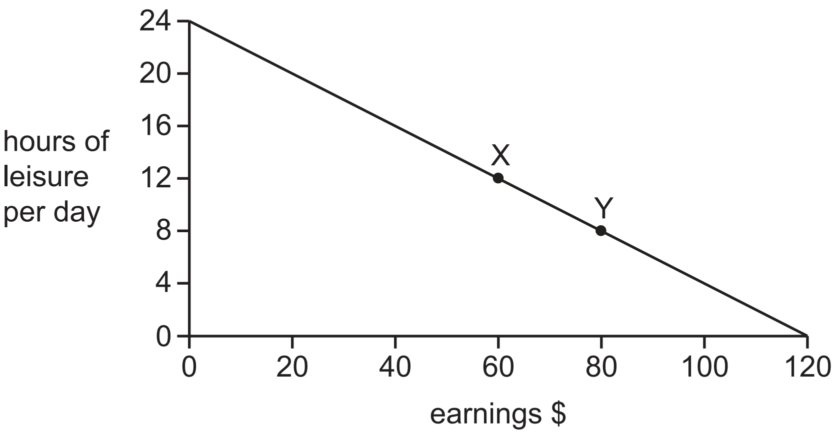
A interest

B profits

C rent

D wages

3 The diagram shows the choices for an individual between leisure and earnings.



The person decides to take a job that gives more leisure time.

What is the opportunity cost to the individual of moving from position Y to position X?

A $20

B $80

C four hours of leisure per day

D 12 hours of leisure per day

4 What would be classified by an economist as a macroeconomic aim?

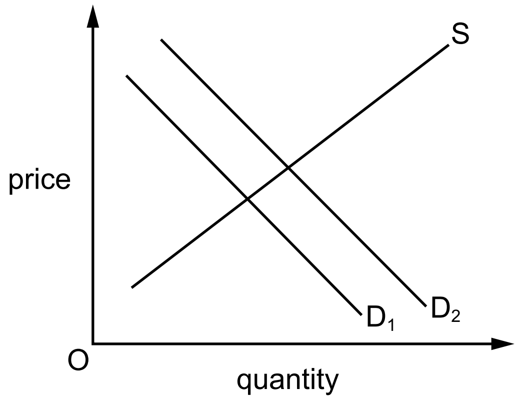
A a government increasing the unit tax on petrol

B a central bank having an inflation target of 2%

C a monopoly increasing its profit target by 2%

D a trade union increasing the living standards of its members

5 On the diagram, D_1 and S are the original demand and supply curves for tea in a country.



What would cause the demand curve to shift from D_1 to D_2?

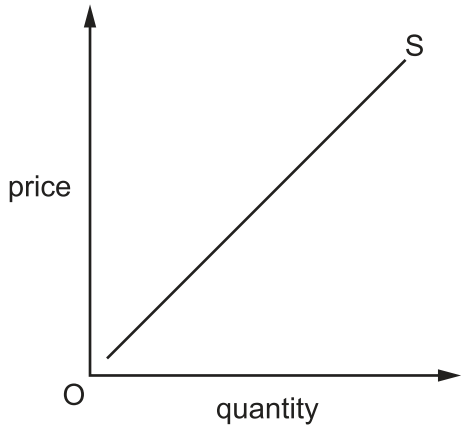
A a decrease in the population

B a decrease in wage levels

C an increase in the price of coffee

D an increase in the price of sugar

6 The diagram shows the supply curve for a good.



What causes an extension in the supply of the good?

A a decrease in the cost of producing the good

B a decrease in the price of the good

C an increase in the cost of producing the good

D an increase in the price of the good

7 The elasticity of demand for cigarettes is estimated to be –0.5. The government introduces a tax on cigarettes to reduce consumption.

By how much must the price of cigarettes rise to reduce consumption by 10%?

A 5% **B** 10% **C** 15% **D** 20%

8 Which type of good does **not** cause market failure?

A a demerit good

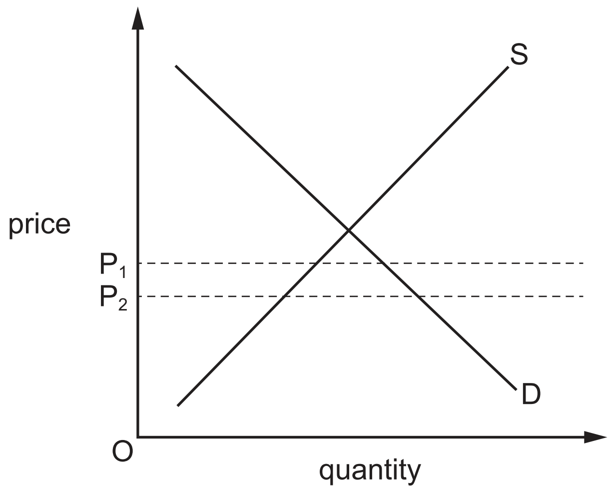
B a free good

C a merit good

D a public good

9 The diagram shows the market for an essential medicine.

The government has intervened to decrease the maximum price of the medicine from P_1 to P_2.



What is the impact of the decrease in maximum price on the market for this medicine?

A a decrease in excess demand

B a decrease in quantity demanded

C an increase in quantity demanded

D an increase in excess supply

10 A kilogram of rice was priced at $0.50 in one year, but the price increased to $0.75 for a kilogram in the following year.

Which function of money does this statement demonstrate?

A deferred payment

B unit of account

C store of value

D medium of exchange

11 The table shows a worker's total income and the deductions made.

	$
annual wage	19 000
overtime pay	1 000
direct tax	5 000
other deductions from salary	3 000

The worker decided to save 10% of the disposable income.

Which sum did the worker save?

A $12 000 **B** $8000 **C** $1200 **D** $1000

12 A lawyer is considering becoming a teacher.

What is a non-wage factor that might influence this decision?

A the amount of holidays in each occupation

B the current earnings as a lawyer

C the minimum wage rate

D the rate of income tax payable

13 The table gives the labour productivity index (real GDP per hour worked) for a country over a three year period.

	year 1	**year 2**	**year 3**
labour productivity	100	104	109

What is most likely to have caused the changes in labour productivity over the period shown?

A capital spending has fallen

B the workforce has become more skilled

C the level of employment has increased

D markets have become less competitive

14 The table shows the units of factors of production that a firm needs to employ for two different levels of output.

land	labour	capital	output
6	8	4	100
9	12	6	200

What is the firm experiencing?

A diseconomies of scale

B economies of scale

C external diseconomies of scale

D external economies of scale

15 A firm has the following set of costs at different levels of output.

output	total fixed costs $	total variable costs $
10	100	600
20	100	900
30	100	1100
40	100	1900

At which level of output is the average total cost at its lowest level?

A 10 **B** 20 **C** 30 **D** 40

16 What may exist in a competitive market but **not** in a monopoly?

A many sellers

B economies of scale

C barriers to entry

D product differentiation

17 What is an international role of a government?

A to improve health standards through an efficient healthcare system

B to support export-oriented firms by negotiating free trade deals

C to redistribute income through direct taxation

D to increase productivity levels by spending on education

18 A government aims to reduce the rate of inflation.

Which measure to help the unemployed is most likely to conflict with this aim?

A giving grants for travel to overcome high transport costs

B offering training to raise worker productivity

C providing information on job vacancies to raise mobility

D raising benefits to increase living standards

19 In an economy, lower income earners pay income tax at a rate of 20% whilst higher income earners pay income tax at a rate of 45%.

Which classification of taxation is in operation?

A indirect

B progressive

C proportional

D regressive

20 What is an example of monetary policy?

A decreasing government expenditure

B decreasing tariffs on imports

C increasing income tax rates

D increasing interest rates

21 A government increases spending on education and training to raise international competitiveness.

What is likely to decrease?

A a current account deficit

B real GDP

C the HDI value

D the productivity of labour

22 The table shows figures for the real GDP of a country in a particular year.

quarter 1 ($bn)	quarter 2 ($bn)	quarter 3 ($bn)	quarter 4 ($bn)
100	101	99	98

A quarter is three months.

At the end of which quarter had the economy experienced a recession?

A quarter 1

B quarter 2

C quarter 3

D quarter 4

23 The table shows selected indicators for the labour market.

labour market	millions
employed	25
self-employed	5
unemployed actively seeking work	3
long-term sick	2

Based on this information, what is the percentage rate of unemployment?

A 9.09% **B** 12% **C** 14.2% **D** 71.4%

24 In 2018, a country had an inflation rate of 4%. The table shows the inflation rate in the following years.

year	**inflation rate %**
2019	4
2020	2
2021	–2
2022	–1

In which year did deflation start?

A 2019 **B** 2020 **C** 2021 **D** 2022

25 What is **not** a cause of absolute poverty?

A high unemployment

B low literacy rate

C poor health

D state benefits

26 What would usually be greater in a low-income economy than in a high-income economy?

A the importance of the service sector

B the length of life expectancy

C the level of capital-intensive production

D the number of children in the average family

27 What would be a disadvantage to a country specialising at a national level?

A increased average costs of production

B increased diversification

C increased exposure to external shocks

D increased income equality

28 Which change is **not** associated with the spread of globalisation?

A greater movement of labour

B longer product supply chains

C more effective tariff barriers

D wider use of technology

29 What describes a fixed exchange rate system?

A the central bank sets an inflation target

B the government sets prices in the markets for goods

C the money in the economy buys the same quantity of goods each year

D the value of the currency is fixed against another currency

30 A country's balance of payments goes into a current account deficit.

What is most likely to increase immediately as a consequence of this deficit?

A economic growth

B exchange rate

C money supply

D unemployment rate

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