Cambridge Assessment International Education

Cambridge IGCSE™

ECONOMICS **0455/12**

Paper 1 Multiple Choice **February/March 2023**

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.

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1 In country Z there has been a decrease in the birth rate.

In the short run, which variable will be affected?

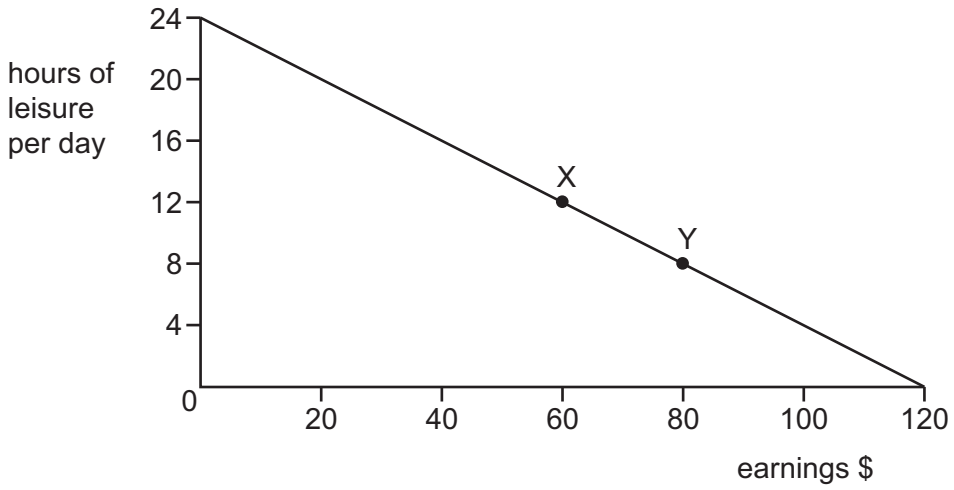
A inflation

B population

C supply

D unemployment

2 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 4 hours of leisure per day

D 12 hours of leisure per day

3 A student defined opportunity cost as ‘the alternative given up when a course of action is followed’.

Why is this definition inadequate?

A The ‘next best’ alternative is not stressed.

B The type of economic system is not identified.

C There is no mention of money values.

D There is no reference to finite resources and unlimited wants.

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4 The market for a good was in equilibrium. A change occurred which resulted in a new equilibrium with a higher price for the good and a lower quantity traded.

Which change would have caused this?

A The demand curve moved to the left.

B The demand curve moved to the right.

C The supply curve moved to the left.

D The supply curve moved to the right.

5 What will result in a movement along the demand curve for a product?

A a change in tastes

B an increase in income

C a rise in the price of the product

D a successful advertising campaign for the product

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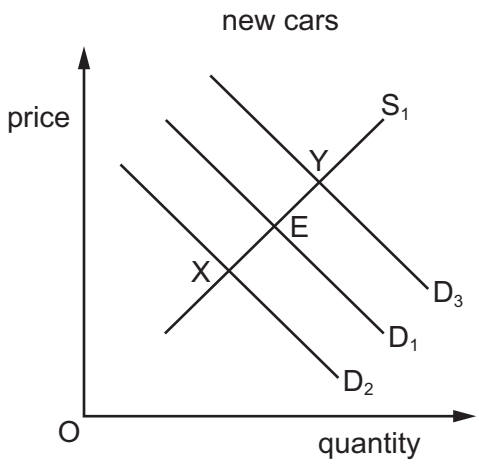
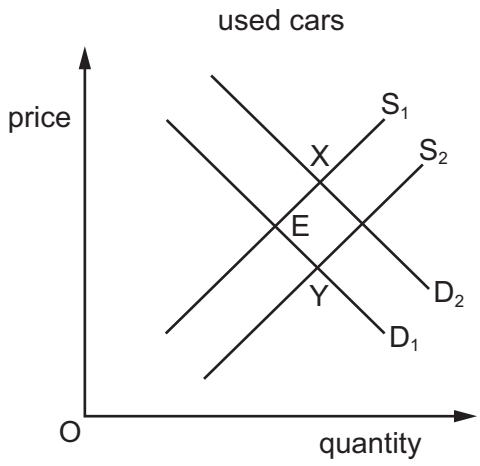
6 In a year when there were big increases in demand for new cars, many used cars also came onto the market.

The diagrams show the demand for and the supply of new and used cars. The original equilibrium position was at E in each case.





What will be the new equilibrium position in each market?

	new cars	used cars
A	X	X
B	X	Y
C	Y	X
D	Y	Y

7 A government places an indirect tax on a good which has price-elastic demand.

What is the result?

	total expenditure on the good	quantity demanded of the good
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

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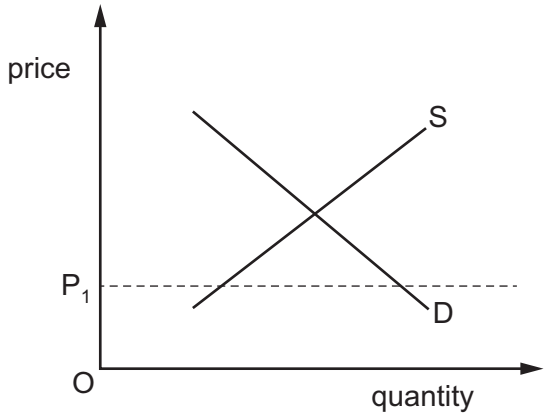
8 The price elasticity of demand for cigarettes is estimated to be 0.5. The government introduces a tax on cigarettes to reduce consumption.

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

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

9 The diagram shows the demand for and the supply of bread.



A maximum price P_1 is fixed by the government.

What is likely to be the immediate result of this?

A a movement of the demand curve to the right

B a movement of the supply curve to the right

C a shortage of bread

D a surplus of bread

10 What is a function of commercial banks?

A accept deposits and savings

B lender of last resort to government

C manage the national debt

D operate monetary policy

11 The table shows spending in the leisure sector of a country in 1995, 1999 and 2005.

year	1995	1999	2005
leisure spending ($ billion)	118	154	198
as a % of total consumption	27.0	27.5	28.0

What can be concluded from the table?

A Leisure spending, in billions of dollars, increased more between 1995 and 1999 than between 1999 and 2005.

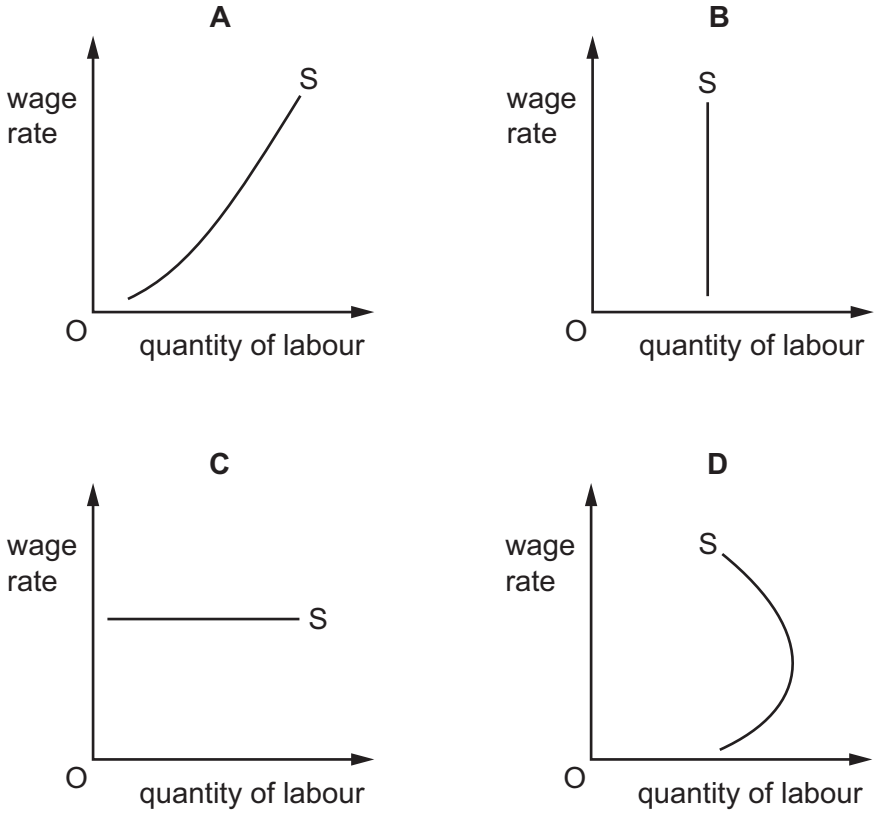
B Leisure spending is growing in line with income growth.

C Leisure spending increased by an average of $10 billion a year between 1995 and 2005.

D Leisure spending is taking an increasing share of total consumption.

12 The graphs show the supply of labour in four occupations.

Which graph shows that people prefer leisure to work above a certain income?



13 What would be likely to happen within a country if its government granted more work permits to doctors coming from other countries?

A increased demand for doctors

B increased productivity of doctors

C increased salaries for doctors

D increased supply of doctors

14 What is **not** a benefit of trade union membership for a worker?

A achieving higher wages for workers

B negotiating a higher rate of interest on a bank loan for workers

C providing support to workers when being made unemployed

D an improvement in health and safety standards at work

15 What will happen to a firm that expands to take advantage of economies of scale?

A Average costs of production will decrease.

B Average costs of production will increase.

C Profits will decrease.

D The price of the firm's products will increase.

16 The table shows total fixed and total variable costs at different levels of output for a firm.

output	total fixed cost $	total variable cost $
100	1000	1000
200	1000	1500
300	1000	2000
400	1000	2500

What happens as output rises?

A Average fixed cost falls.

B Average fixed cost rises.

C Average variable cost remains constant.

D Average variable cost rises.

17 Which characteristics are found in a monopoly?

A freedom of entry to the market and a single seller

B freedom of entry to the market and many sellers

C many buyers and a single seller

D many buyers and many sellers

18 What is deflation?

A a decrease in the claimant count

B a decrease in the Consumer Prices Index

C a decrease in the Human Development Index

D a decrease in the real Gross Domestic Product

19 What is the likely outcome of an expansionary monetary policy?

A Borrowing by consumers falls as the money supply increases.

B Firms expand to meet higher consumer demand.

C Prices fall as total supply exceeds total demand.

D Wages rise due to a lower rate of inflation.

20 In the past, governments have adopted policies to try to end a recession in their country and increase economic growth.

Which combination of policies is **most** likely to achieve this?

A lower taxes and decrease government spending

B lower taxes and increase government spending

C raise taxes and decrease government spending

D raise taxes and increase government spending

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21 The table shows taxes as a percentage of Gross Domestic Product (GDP) for four countries.

From this information, which country had the highest percentage of direct taxation as a percentage of GDP?

	income tax %	tax on business profits %	tax on dividends %	tax on goods and services %
A	12	14	2	5
B	14	15	2	14
C	17	13	5	10
D	18	10	1	10

22 As a country develops economically, what is **most** likely to happen?

A There will be an increase in productivity.

B There will be an increase in the birth rate.

C There will be an increase in the death rate.

D There will be reduced occupational mobility.

23 Which government policy would be **most** likely to reduce structural unemployment?

A a decrease in the rate of interest

B a decrease in the tax on goods and services

C an increase in spending on education and training

D an increase in tariffs on imported goods and services

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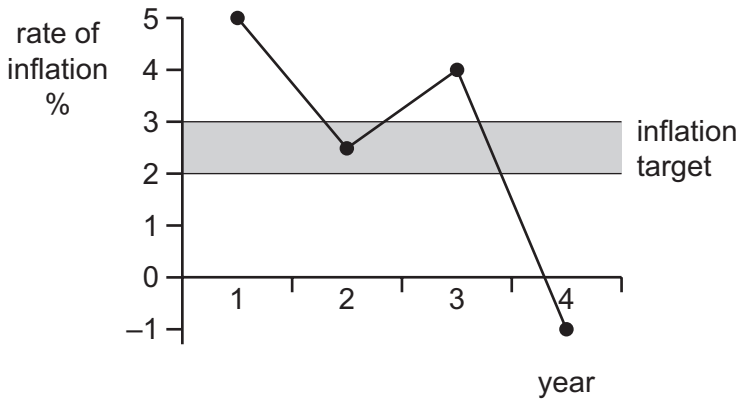
24 A government has a target of keeping inflation between 2% and 3%.

The diagram shows the rate of inflation over a four-year period.



What can be deduced from the diagram?

A The government target was missed in two years.

B The price level fell in two years.

C The price level was at its highest in the first year.

D The real value of money fell in three years.

25 A town has a population of 20 000. The birth rate is 25 per thousand and the death rate is 15 per thousand. The number of people moving in and out of the town exactly balances.

What will the population be at the end of one year?

A 19 800 **B** 20 010 **C** 20 200 **D** 22 000

26 What is **most** likely to be found in a high-income economy?

	low	high
A	access to safe water	infant mortality rate
B	birth rate	adult literacy rate
C	gross domestic product per head	access to safe water
D	infant mortality rate	death rate

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27 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

28 What is a quota in international trade?

A a government grant to encourage production

B a limit on the quantity of imports

C a tax on imports

D an administrative and technical barrier

29 What is an advantage of a floating exchange rate for an economy?

A It can correct a current account deficit or surplus.

B It creates certainty for firms importing goods.

C It increases government control of the economy.

D It stops money flows into and out of the economy.

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30 The table shows information from a country's current account of its balance of payments.

	$ billion
exports of goods	20
imports of goods	24
net services	+5
net primary income	–8
net secondary income	–8

What is the country's current account balance?

A +$1 billion **B** –$4 billion **C** –$7 billion **D** –$15 billion

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