

Cambridge IGCSE™

ECONOMICS

Paper 1 Multiple Choice

0455/12

May/June 2026

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 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.

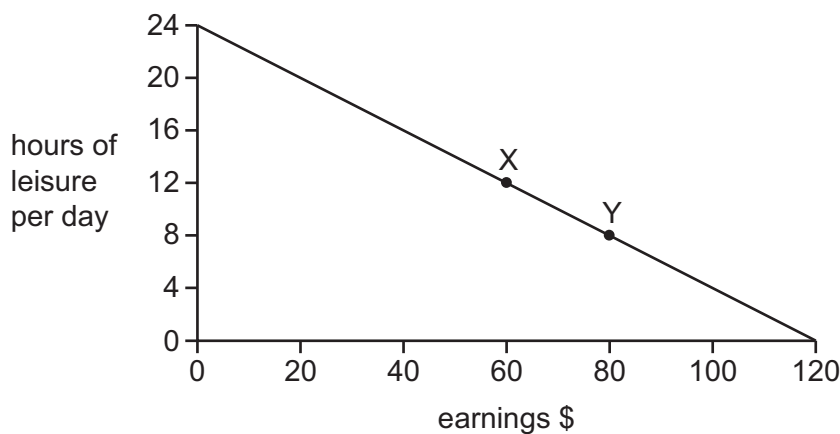
This document has **12** pages. Any blank pages are indicated.



- 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.

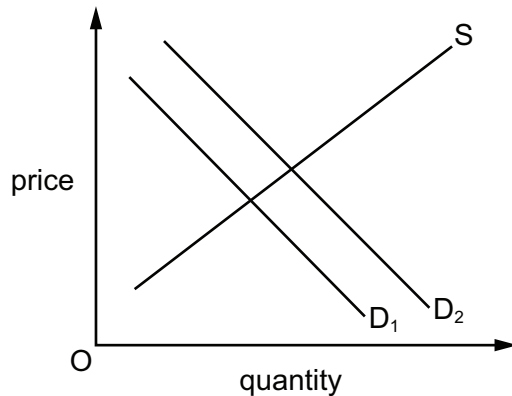
What is the opportunity cost to the individual of moving from position Y to position X?

- 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

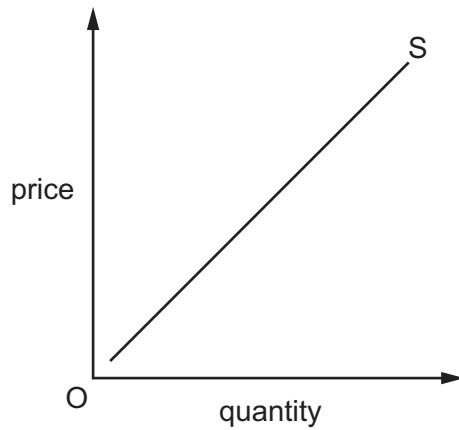
5 On the diagram, D_1 and S are the original demand and supply curves for tea in a country.



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?

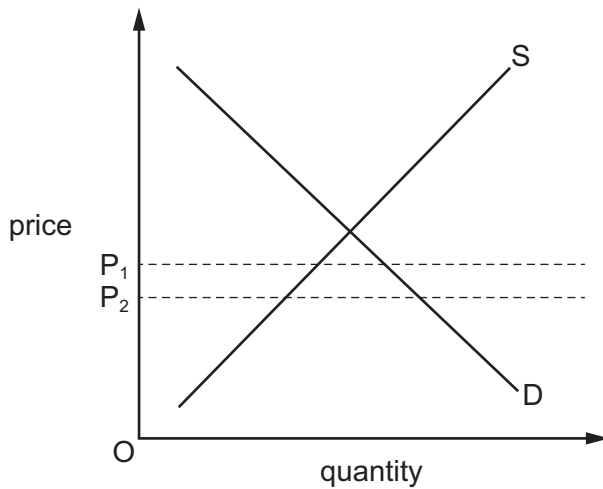
- A a decrease in the cost of producing the good
 - B a decrease in the price of the good
 - C an increase in the cost of producing the good
 - D an increase in the price of the good
- 7 The elasticity of demand for cigarettes is estimated to be -0.5 . The government introduces a tax on cigarettes to 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

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (Cambridge University Press & Assessment) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in our Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge International Education is the name of our awarding body and a part of Cambridge University Press & Assessment, which is a department of the University of Cambridge.