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Cambridge Assessment International Education

Cambridge IGCSE™

ECONOMICS **0455/12**

Paper 1 Multiple Choice **February/March 2020**

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. A mark will not be deducted for a wrong answer.
- Any rough working should be done on this question paper.

This document has **8** pages. Blank pages are indicated.

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1 What is **not** a factor of production?

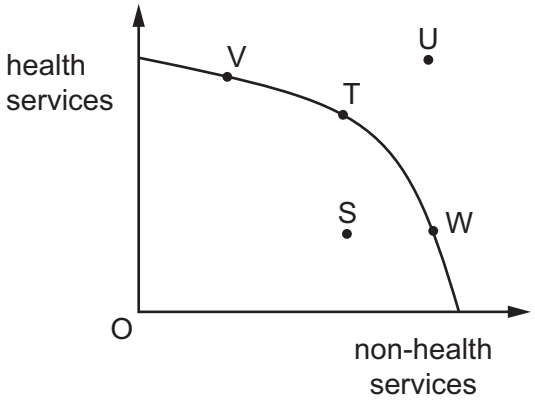
A a $20 banknote

B an office

C a photocopier

D a secretary

2 The diagram shows the production possibility curve (PPC) of a country producing at point T.



The country has an ageing population and decides to allocate more resources to the production of health services.

Which movement shows this change in resource allocation?

A T to S **B** T to U **C** T to V **D** T to W

3 A deposit of shale oil is discovered in an area of farming.

The following estimates are made for a ten-year period.

- If the land is used only for farming it would yield income after tax of $10 billion.
- If the land is used only for shale oil extraction it would yield income after tax of $40 billion.
- The government would receive $5 billion in taxes from farming and $10 billion in taxes from shale oil extraction.

What is the opportunity cost of using the land only for farming?

A $25 billion **B** $30 billion **C** $35 billion **D** $45 billion

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4 A country experiences a long strike by railway workers.

What would be the macroeconomic impact of such a strike?

A National output would fall.

B Railway workers would lose income.

C The demand for taxi services would rise.

D The profits of railway operators would fall.

5 What necessarily describes the market system?

A an economy with both a private and public sector

B limited resources but unlimited wants

C resources are allocated through demand and supply

D when all resources are used to produce consumer goods

6 In 2018 the UK government introduced a tax on the production of sugary drinks.

How would this affect the market for sugary drinks as shown on a demand and supply diagram?

	demand curve for sugary drinks	supply curve of sugary drinks
A	contraction in demand	shift to the left
B	extension in demand	shift to the right
C	shift to the left	contraction in supply
D	shift to the right	extension in supply

7 What is **not** held constant when constructing the supply curve of a firm?

A indirect taxes and subsidies on the firm's products

B the level of technology used by the firm in production

C the price of the factors of production paid for by the firm

D the market price of the good produced by the firm

8 What is a trade union?

A a business organisation in which all workers share ownership

B an area where there are no barriers to trade

C an organisation of employers from an industry

D an organisation that represents the interests of workers

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9 What is the **most** important characteristic of money?

A It has intrinsic value.

B It is generally acceptable.

C It is portable.

D It is readily available.

10 Which statement explains why the pay of doctors is usually higher than the pay of hospital cleaners?

A Doctors have a higher opportunity cost in qualifying.

B Doctors have a more elastic supply than hospital cleaners.

C Hospital cleaners belong to trade unions with stronger bargaining powers.

D Hospital cleaners have a more inelastic demand than doctors.

11 Banks decrease interest rates.

What is likely to be the effect of this on borrowing and saving?

	borrowing	saving
A	falls	falls
B	falls	rises
C	rises	falls
D	rises	rises

12 The table shows the costs of a firm.

variable cost per good	fixed cost
$2	$40

What is the average total cost if the firm produces 20 goods?

A $1 **B** $2 **C** $4 **D** $80

13 When is profit maximisation achieved?

A when average fixed cost is at a minimum

B when average revenue is at a maximum

C when the firm produces the largest output it can with the resources it has available

D when there is the greatest possible difference between total revenue and total cost

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14 In some industries, a monopoly controls output and prices.

What is the **most** likely impact of this on consumers?

A higher prices

B higher profits

C higher taxes

D more choice

15 A mining company bought another mining company.

How may this integration be described?

A diversification

B horizontal merger

C specialisation

D vertical merger

16 What is **most** likely to cause a more even distribution of income?

A an increase in indirect taxation

B an increase in inflation

C an increase in managers' salaries

D an increase in progressive taxation

17 What is a monetary policy measure?

A increasing interest rates

B increasing taxation

C reducing the power of trade unions

D selling state-owned enterprises

18 Why does more emphasis on education and training lead to an increase in national output?

A It improves the productivity of the labour force.

B It lowers the inputs of capital investment.

C It reduces demands for higher pay.

D It reduces the power of trade unions.

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19 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

20 The table provides information about a country's labour market.

population size	2 000 000
labour force size	1 200 000
number of employed	900 000
number of full-time students	100 000

What is the unemployment rate of this country?

A 15% **B** 25% **C** 50% **D** 75%

21 What is defined as 'a reduction in gross domestic product (GDP) for more than two successive quarters'?

A deflation

B falling wages

C recession

D rising unemployment

22 A person receives annual interest of 4% on their savings. Inflation is 5% per annum.

What is the approximate change in the real value of their savings?

A –5% **B** –1% **C** +4% **D** +9%

23 An increase in which of the following is **least** likely to cause inflation?

A consumer spending

B government spending

C income tax

D wages

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24 A country has a declining population. It also has a changing population structure in which the size of the 15–64 age group is becoming smaller.

How could it immediately reduce labour supply shortages?

A Allow immigration of skilled labour.

B Encourage increases in family size.

C Invest more in technological research.

D Lower taxes and increase basic wage rates.

25 The Human Development Index (HDI) ranks human development in countries from 0 (lowest) to 1 (highest).

What does the calculation of HDI **not** take into consideration?

A estimate of life expectancy at birth

B information on the number of years of schooling

C regional inequalities of investments in human capital

D standard of living linked to income per head

26 Which combination of changes is **most** likely to result in a fall in living standards in a country?

	GDP	inflation	population
A	fall	fall	rise
B	fall	rise	rise
C	rise	fall	fall
D	rise	rise	fall

27 What is the **most** likely effect of a decrease in tariffs?

A increased inflation rates

B increased consumer choices

C increased government revenue from tariffs

D increased revenues of domestic firms

28 What would increase the demand for a country's currency on the foreign exchange market?

A a decrease in its inward investment

B a decrease in its rate of interest

C an increase in its exports

D an increase in its imports

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29 The table shows a selection of economic data for a country.

	$ m
primary income (net income transfers)	1000
secondary income (net current transfers)	–500
total value of exported goods	1000
total value of imported goods	2000
total value of exported services	800
total value of imported services	200

What is the current account balance of this country?

A $100 m **B** $600 m **C** $4500 m **D** $4725 m

30 A country changes to a policy of self-sufficiency in agriculture, instead of relying on world supplies.

What is likely to happen in the country as a result?

A Agricultural prices will rise.

B Farm output will fall.

C More farmers will be unemployed.

D More food will be imported.

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