Cambridge Assessment International Education

# Cambridge IGCSE™

**ECONOMICS** **0455/11**

Paper 1 Multiple Choice **May/June 2024**

**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.



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**1** What is a free good?

View solution

**A** free samples of a new product

**B** health services provided by the state

**C** second-hand clothing

**D** sunlight

**2** A firm is deciding whether to produce good X or good Y for the next five years. The predicted revenue for good X is $20 000 per year and for good Y is $18 000 per year.

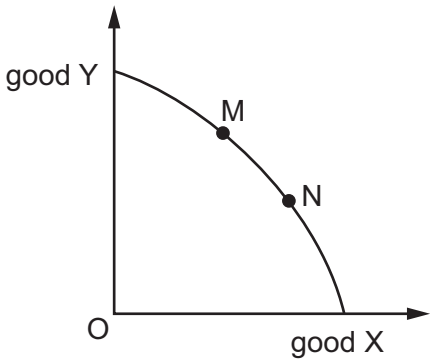
View solution

What is the opportunity cost of producing good X?

**A** $18 000 **B** $20 000 **C** $90 000 **D** $100 000

**3** The diagram shows a production possibility curve (PPC) for an economy.

View solution




What is the reason for the economy moving from point M to point N?

**A** decreased unemployment in industries producing good X

**B** improvement in technology used to produce good X

**C** increased productivity of workers producing good X

**D** increased resource allocation to the production of good X

**4** What is **not** held constant when drawing a demand curve for a good or service?

View solution

**A** consumers' incomes

**B** tastes and preferences

**C** the price of substitutes

**D** the price of the good or service

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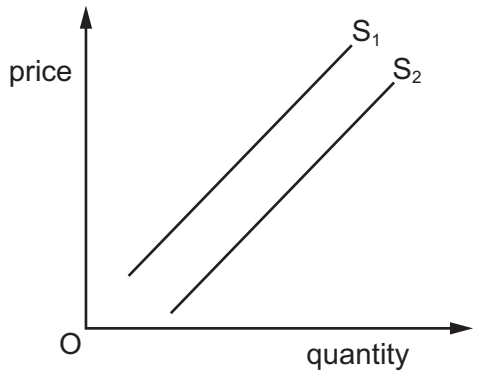
**5** The diagram shows a shift in the supply curve for New Zealand's airlines from $S_1$ to $S_2$.

View solution




What is the most likely cause of this shift?

**A** a decrease in the costs of New Zealand's airlines

**B** a decrease in the number of people wanting to fly to New Zealand

**C** an increase in the price of train and bus travel in New Zealand

**D** an increase in the tax on air travel in New Zealand

**6** What could cause the price of tea to increase?

View solution

**A** decrease in the demand for tea

**B** decrease in the price of a substitute good

**C** increase in the price of a substitute good

**D** increase in the supply of tea

**7** A firm changes the price of its product and finds that its revenue increases.

View solution

Which combination of price change and price elasticity of demand would have caused this?

| | price | price elasticity of demand |
|---|---|---|
| **A** | falls | between 0 and 1 |
| **B** | falls | equal to 1 |
| **C** | rises | between 0 and 1 |
| **D** | rises | greater than 1 |

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**8** What could **not** occur in a market economic system?

View solution

**A** a monopolist supplying specialist goods to the market

**B** excessive pollution created by power stations

**C** governments setting minimum wages to relieve poverty

**D** private ownership of firms making defence equipment

**9** What is a correct definition of a demerit good?

View solution

**A** a good which generates external benefits

**B** a good with higher private costs than social costs

**C** a good which is more harmful to consumers than they realise

**D** a good which provides no costs to third parties

**10** Within the same firm, one employee is paid a higher wage than another employee.

View solution

Which reason for the difference in their wage could be considered discrimination?

**A** They are of different ages.

**B** They have different levels of education.

**C** They have different levels of productivity.

**D** They have different levels of work experience.

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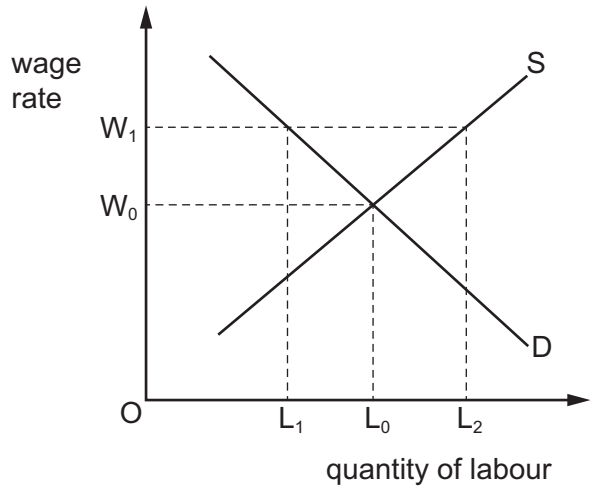
**11** The diagram shows the demand and supply curve of labour for a firm. The initial wage rate is given by $W_0$ and the equilibrium quantity of labour employed is $L_0$.

View solution

A trade union that represents all of the workers negotiates a rise in wage rate to $W_1$.




What is the amount of unemployment that results from this wage rise?

**A** $OL_1$ **B** $L_0L_2$ **C** $L_1L_0$ **D** $L_1L_2$

**12** A farmer introduces machinery to help workers at harvest time. The farmer also reduces the number of workers by 50%. As a result, the total harvest increases by 25%.

View solution

What has happened?

**A** Labour productivity has decreased and production has decreased.

**B** Labour productivity has decreased and production has increased.

**C** Labour productivity has increased and production has decreased.

**D** Labour productivity has increased and production has increased.

**13** A firm has fixed costs of $20 and the following total variable costs.

View solution

| output | 10 | 20 | 30 | 40 |
|---|---|---|---|---|
| total variable costs ($) | 40 | 60 | 80 | 100 |

What happens to average total cost over this output range?

**A** It falls continuously.

**B** It falls then rises.

**C** It rises continuously.

**D** It rises then falls.

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**14** The table shows the costs and output of a firm.

View solution

| | |
|---|---|
| total cost | $10 000 |
| total variable cost | $8000 |
| quantity | 10 |

What is the average fixed cost of the firm?

**A** $200 **B** $800 **C** $1000 **D** $2000

**15** A clothing manufacturer expands by taking over a clothing retailer.

View solution

Which type of merger is this?

**A** backward vertical

**B** conglomerate

**C** forward vertical

**D** horizontal

**16** What is likely to happen if a previously competitive market becomes a monopoly?

View solution

| | barriers to entry | economies of scale | the size of the firm |
|---|---|---|---|
| **A** | decrease | decrease | increases |
| **B** | decrease | increase | decreases |
| **C** | increase | decrease | decreases |
| **D** | increase | increase | increases |

**17** Which macroeconomic aim, if achieved, is most likely to increase a government budget surplus?

View solution

**A** full employment

**B** income redistribution

**C** low inflation

**D** balance of payments stability

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**18** The table shows the income tax rate paid by workers at different levels of income in selected years for a developed economy.

View solution

| income band ($) | tax rate year 1 (%) | tax rate year 2 (%) |
|---|---|---|
| 0 to 4999 | 0 | 0 |
| 5000 to 9999 | 10 | 0 |
| 10 000 to 19 999 | 20 | 10 |
| 20 000 to 29 999 | 30 | 30 |
| 30 000 to 49 999 | 40 | 50 |
| 50 000+ | 40 | 60 |

What is most likely to have been the economic objective of the government in changing the tax rates between year 1 and year 2?

**A** to reduce a current account deficit

**B** to reduce income inequality

**C** to reduce inflation

**D** to reduce structural unemployment

**19** A government attempts to raise economic growth with a policy of reduced interest rates.

View solution

Which other government objective is most likely to be helped in the short run?

**A** lower unemployment

**B** price stability

**C** reduced income inequality

**D** reduced trade deficit

**20** What is the definition of a supply-side policy?

View solution

**A** any policy designed to decrease inflation

**B** any policy designed to decrease unemployment

**C** any policy designed to increase imports

**D** any policy designed to increase productivity

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**21** Subsistence farming is the practice of growing crops and raising livestock sufficient only for one's own use without any surplus for trade.

Why is it difficult for a government to measure economic growth in an economy based on subsistence farming?

View solution

**A** Farmers' families consume most of their own produce.

**B** Farmers have low rates of saving.

**C** The size of harvest is dependent on the weather.

**D** The surplus produce is sold to the government.

**22** What is necessary for a worker to be classified as unemployed?

View solution

| | the worker does not have a paid job | the worker is prepared to work | the worker will accept the current wage rate |
|---|---|---|---|
| **A** | yes | no | no |
| **B** | yes | no | yes |
| **C** | yes | yes | no |
| **D** | yes | yes | yes |

**23** What is most likely to increase when the rate of inflation gradually changes from 2% to 8% in one year?

View solution

**A** the cost of updating existing price lists

**B** the level of business confidence

**C** the real income of fixed-income earners

**D** the real value of consumer debt

**24** The introduction of a minimum hourly wage in an industry aims to reduce poverty among low-paid workers.

What is an advantage to workers of an effective national minimum wage?

View solution

**A** All workers get paid according to their level of productivity.

**B** Firms may look to increase capital equipment rather than labour.

**C** Levels of employment become more dependent on wage differences.

**D** Redistribution of a firm's income rewards labour rather than owners.

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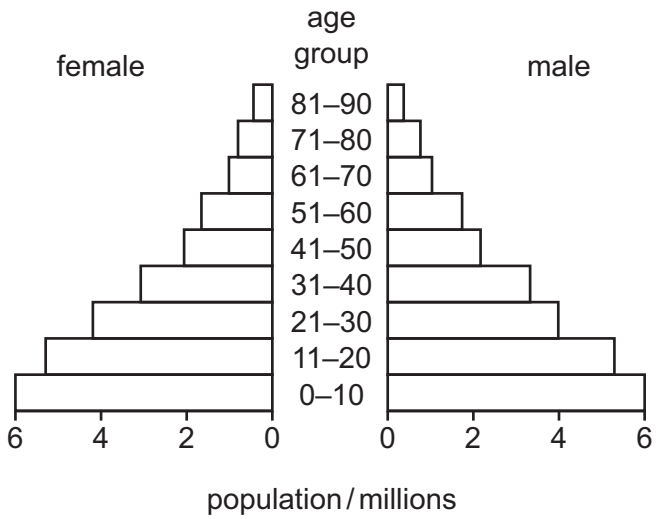
**25** The chart shows the population pyramid for a country.

View solution




What is most likely to cause the population pyramid to be shaped in this way?

| | birth rate | death rate |
|---|---|---|
| **A** | low | low |
| **B** | low | high |
| **C** | high | low |
| **D** | high | high |

**26** The table shows information on four countries.

View solution

Which country is likely to be the most developed?

| | population (million) | Gross Domestic Product (GDP) ($ billion) | life expectancy (years) |
|---|---|---|---|
| **A** | 100 | 800 | 51 |
| **B** | 200 | 6000 | 62 |
| **C** | 300 | 600 | 48 |
| **D** | 1000 | 1600 | 63 |

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**27** What is an advantage to a firm of specialisation at a national level?

View solution

**A** dependency on supplies from other countries

**B** greater competition from overseas firms

**C** greater depletion of the country's natural resources

**D** lower average costs due to economies of scale

**28** What is an intended outcome of protecting infant industries from free trade?

View solution

**A** to decrease the competitiveness of domestic firms

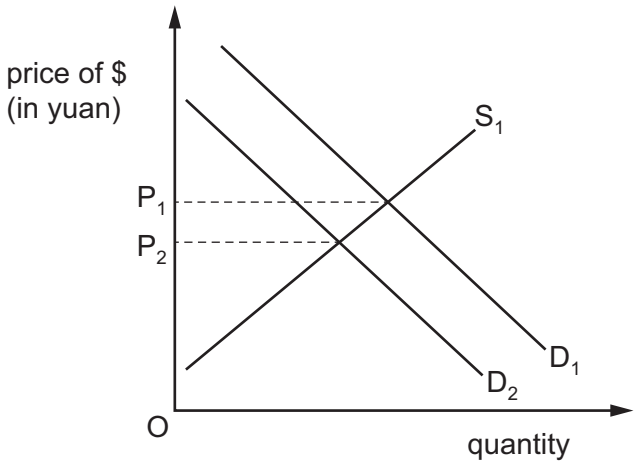
**B** to decrease the demand for exported goods

**C** to increase employment in domestic firms

**D** to increase the supply of imported goods

**29** In the diagram, curves $D_1$ and $S_1$ relate to the demand and supply of the US dollar ($) against the Chinese yuan.

View solution




What is most likely to cause the demand curve for US dollars to shift from $D_1$ to $D_2$?

**A** a fall in Chinese interest rates

**B** a fall in US interest rates

**C** a faster growth rate in the US economy

**D** a reduction in the US government budget deficit

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**30** Brazil had a balance of payments current account deficit of US$23.5 billion.

View solution

Which policy is most likely to reduce the current account deficit in Brazil?

**A** depreciate Brazil's currency

**B** reduce rates of income tax in Brazil

**C** reduce subsidies to Brazil's exporting firms

**D** reduce tariffs on Brazil's imports

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