



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.

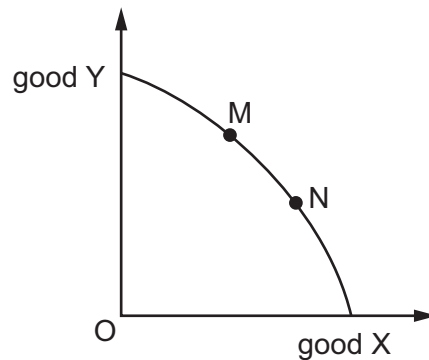
This document has **12** pages. Any blank pages are indicated.



- 1 What is a free good?
- 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.

What is the opportunity cost of producing good X?

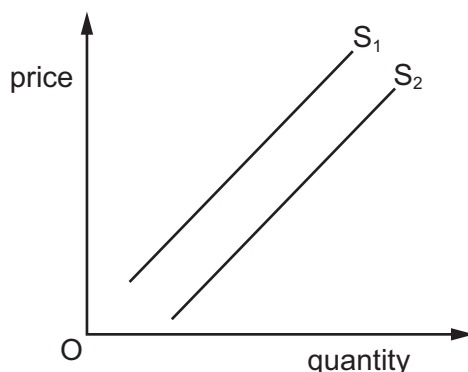
- A \$18 000
 - B \$20 000
 - C \$90 000
 - D \$100 000
- 3 The diagram shows a production possibility curve (PPC) for an economy.



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?
- A consumers' incomes
 - B tastes and preferences
 - C the price of substitutes
 - D the price of the good or service

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



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?
- 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.

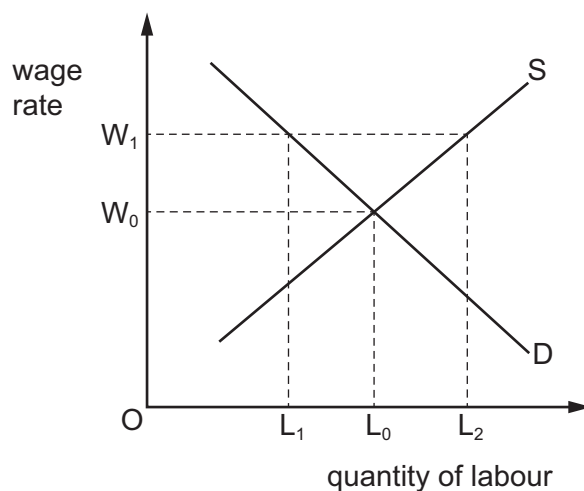
Which combination of price change and price elasticity of demand would have caused this?

| | 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 |

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

- 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 .

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%.

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.

| | | | | |
|---------------------------|----|----|----|-----|
| 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.

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

| | |
|---------------------|----------|
| 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.

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?

| | 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?

- A** full employment
B income redistribution
C low inflation
D balance of payments stability

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

| 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.

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?
- 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

- 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?

- 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?

| | 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?

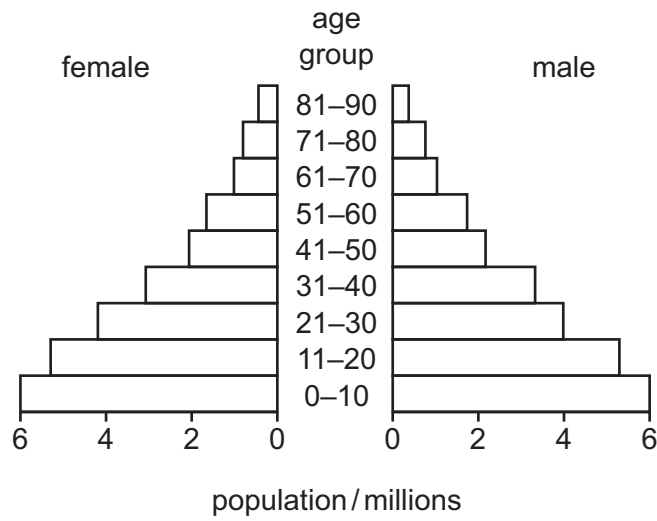
- A** the cost of updating existing price lists
- B** the level of business confidence
- C** the real income of fixed-income earners
- D** the real value of consumer debt

- 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?

- 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.

25 The chart shows the population pyramid for a country.



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

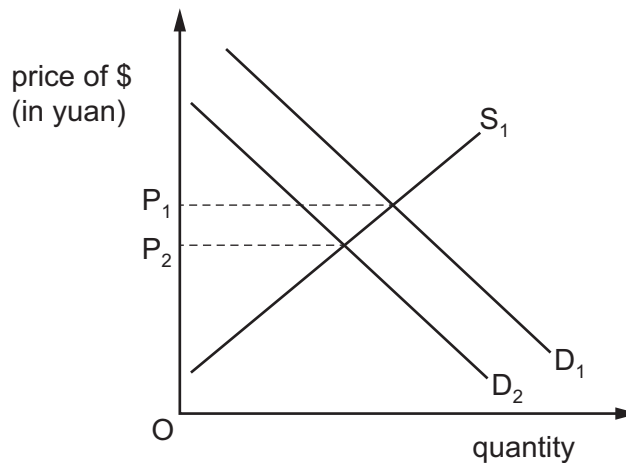
| | birth rate | death rate |
|----------|------------|------------|
| A | low | low |
| B | low | high |
| C | high | low |
| D | high | high |

26 The table shows information on four countries.

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 |

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



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

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

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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