Cambridge Assessment International Education

Cambridge IGCSE™

ECONOMICS **0455/11**

Paper 1 Multiple Choice **October/November 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)

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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.

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1 Economists describe resources as being 'scarce'.

What must be a consequence of scarce resources?

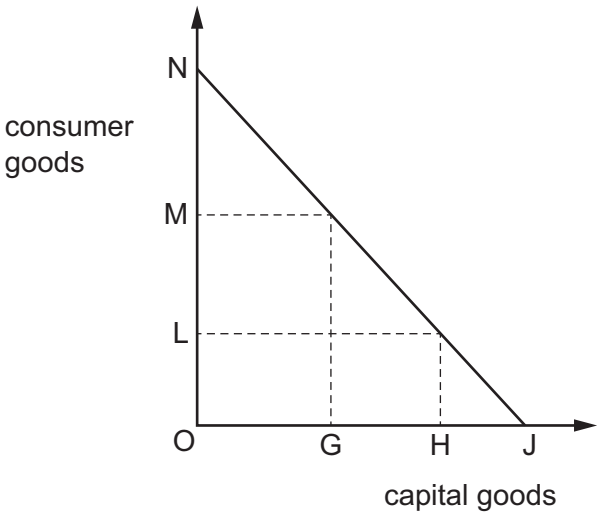
A production will cause external costs

B relative poverty will gradually increase

C sustainable development will take place

D wants will exceed productive capacity

2 The diagram shows the production possibility curve (PPC) for an economy producing consumer goods and capital goods.



The economy is currently producing OM consumer goods and OG capital goods. It decides to increase production of capital goods to OH.

What is the opportunity cost of this decision in terms of consumer goods?

A JG **B** ML **C** MN **D** NL

3 A hospital has spent all of its budget allocated for employing doctors.

What is the opportunity cost to the hospital of employing an extra doctor?

A a reduction in the number of nurses employed

B an improvement in the recovery rate of patients

C an increase in the number of patients treated

D the salary paid to the extra doctor

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4 There has been an increase in the demand for wheat. This has led to an increase in the demand for labour to harvest the wheat.

Which branch of economics covers these two concepts?

	increase in the demand for wheat	increase in the demand for labour to harvest wheat
A	macroeconomics	macroeconomics
B	macroeconomics	microeconomics
C	microeconomics	macroeconomics
D	microeconomics	microeconomics

5 In the United Kingdom (UK), the price of timber used in house building increased. This was because of a boom in the UK house building industry and a shortage of drivers to deliver the timber.

What happened in the UK market for timber to cause this price increase?

	demand curve	supply curve
A	shifted left	shifted left
B	shifted left	shifted right
C	shifted right	shifted left
D	shifted right	shifted right

6 What does a supply curve show?

A A firm will supply more when consumers' purchasing power increases.

B The higher the price, the fewer goods are supplied as costs of production increase.

C The lower the price, the more profit is made by the firm.

D There is a positive relationship between quantity supplied and price.

7 A global pandemic causes the demand for air travel to decrease.

Which value for the price elasticity of supply of air travel will cause the number of tickets for air travel to fall the most?

A 0 **B** 0.5 **C** 1 **D** 1.5

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8 What is a **disadvantage** of a market economy?

A not enough competition

B not enough merit goods

C no consumer choice

D state intervention

9 Droughts in some countries caused the supply of wheat to fall. Wheat prices then rose providing an opportunity for wheat producers in other countries to increase supply.

Why might the price of wheat continue to be high in the year following the drought?

A Different weather conditions allowed a bumper harvest.

B Suppliers unaffected by drought failed to increase output.

C The government introduced a subsidy to wheat producers.

D The wheat market returned to its original equilibrium.

10 Newly built houses tend to be inelastic in supply. A government aim is to make the supply more elastic by relaxing building regulations.

Why is the government **not** likely to achieve this aim immediately?

A Banks will only lend to high-income earners.

B Costs of building materials fluctuate according to season.

C Houses take a long period of time to be built.

D Population increases lead to greater housing demand.

11 A person planning for old age saves in the form of money rather than goods.

Which function does money perform when this is done?

A medium of exchange

B standard of deferred payment

C store of value

D unit of account

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12 What is **not** normally a function of the central bank of a country?

A acting as lender of last resort

B issuing notes and coins

C operating the government monetary policy

D setting the government budget

13 What is a trade union **most** likely to protect?

A the profit of a firm

B the rights of a group of workers

C the satisfaction of consumers

D the social welfare of everybody

14 A person sets up a street food stall.

What is necessary for the food stall to survive in the long run?

	growth	profitability
A	no	no
B	no	yes
C	yes	no
D	yes	yes

15 A large privately owned firm is the sole supplier of electricity to a city.

Which combination of characteristics is likely to exist for this firm?

	barriers to entry	long-run profit	pricing decision
A	high	high	price maker
B	high	low	price taker
C	low	high	price maker
D	low	low	price taker

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[Turn over

16 When a firm produces 200 units, its total variable cost is $600 and its total fixed cost is $2000.

What is the average cost at this output?

A $3 **B** $10 **C** $13 **D** $2600

17 The government of country Z announces a forecast budget deficit of $234 billion, as part of its fiscal policy.

What is the effect of this forecast budget deficit likely to be?

A a decrease in economic growth

B a decrease in inflation

C an increase in employment

D an increase in unemployment

18 Low-income groups do **not** pay income tax but are able to use state-provided healthcare services.

What does this illustrate?

A monetary policy

B privatisation

C redistribution of income

D regressive taxation

19 The government uses monetary policy and reduces the interest rate.

What might be a consequence of this?

A a decrease in the rate of inflation

B an increase in the level of investment

C an increase in the level of savings

D an increase in unemployment

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20 What is a likely objective of supply-side policy?

A improving productive potential

B increasing direct taxation

C increasing the power of trade unions

D promoting the public sector

21 An increase in which economic indicator best describes economic growth?

A general price level

B level of consumption

C level of output

D living standards

22 What is full employment considered to be?

A no cyclical unemployment

B no frictional unemployment

C no private sector unemployment

D no seasonal unemployment

23 Which group is most likely to benefit during a period of rapid inflation?

A exporters

B pensioners

C people with debts

D savers

24 What are the components of the Human Development Index (HDI)?

A life expectancy at birth, expected years of schooling, gross national income (GNI)

B life expectancy at birth, expected years of schooling, gross national income (GNI) per head

C population growth, adult literacy rate, gross national income (GNI) per head

D population size, expected years of schooling, number of doctors per head

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25 Which situation must produce an ageing population?

A a falling birth rate and a falling death rate

B a rising birth rate and a rising death rate

C a rising marriage rate and a falling death rate

D a falling marriage rate and a rising death rate

26 The table shows the unemployment rate in three developed economies in one year.

	unemployment rate %
United States	7.6
Sweden	8.2
France	10.9

What is the main cause of high rates of unemployment in developed economies in periods of recession?

A decreases in total demand

B movement of labour between countries

C reduced levels of technological change

D regional inequalities of wealth

27 What is **most** likely to result from an extension of specialisation in manufacturing?

A for the consumer some prices will be reduced

B for the country there will be less dependency on international trade

C for the employee the work will become more varied

D for the producer there will be less efficiency

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28 A country imposes a tariff on an imported product.

What is the effect of this change?

	the price of the product increases	the quantity of the product imported is fixed
A	no	no
B	no	yes
C	yes	no
D	yes	yes

29 The world demand for oil is price-inelastic and oil is paid for in US dollars.

If the price of oil falls rapidly, how might it affect the US dollar?

	market for US$	exchange rate for US$
A	greater demand for US$	increases
B	greater supply of US$	decreases
C	less demand for US$	decreases
D	less supply of US$	increases

30 Which benefit do multinational companies (MNCs) bring to their home country?

A flow of profits

B higher wages

C increased employment

D more investment

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