Cambridge Assessment International Education

Cambridge IGCSE™

ECONOMICS **0455/11**

Paper 1 Multiple Choice **October/November 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.

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1 What has an opportunity cost in consumption?

A air

B food

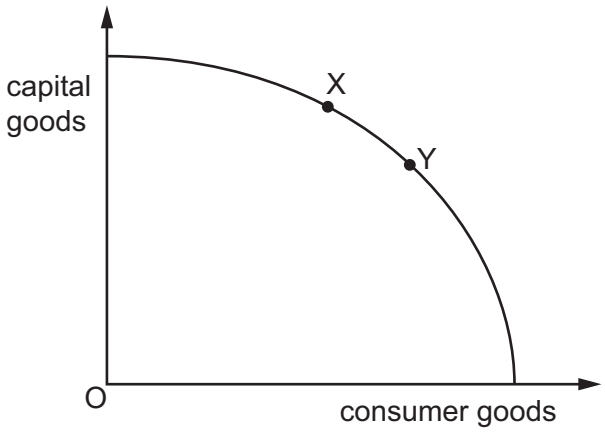
C sea water

D sunlight

2 In which case is it possible to set the level of reward before production takes place for the first factor of production but **not** for the second factor?

	first factor	second factor
A	capital	land
B	enterprise	labour
C	labour	capital
D	land	enterprise

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



Which cost can be determined as the economy moves along its PPC from point X to point Y?

A the opportunity cost of producing more capital goods

B the opportunity cost of producing more consumer goods

C the social cost of producing more capital goods

D the social cost of producing more consumer goods

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4 Which person is most likely to make a microeconomic decision as part of their job?

A a government finance minister

B the global administrator of the Human Development Index

C the governor of the central bank

D the manager of a private sector firm

5 What necessarily describes the market system?

A all resources used to produce consumer goods

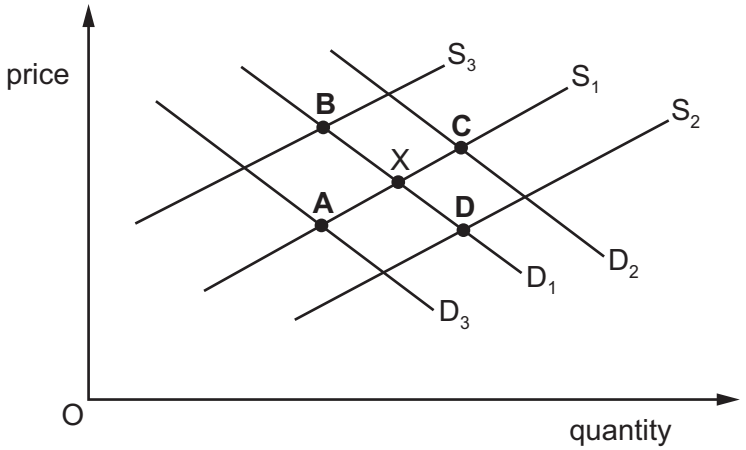
B an economy with both a private and a public sector

C limited resources but unlimited wants

D resources allocated through demand and supply

6 The diagram shows the demand for and supply of a product. The original equilibrium is at X.

Which point indicates the new equilibrium position if there is an increase in the price of a close substitute for the product while other things remain the same?



7 A firm has the following supply schedule.

price ($)	quantity supplied
5	10
10	20

What is the price elasticity of supply of the good as the price increases from $5 to $10?

A –0.5 **B** +0.5 **C** +1.0 **D** +2.0

8 Why does a government provide certain goods and services in a mixed economic system?

A The government always provides goods more cheaply than private firms.

B The government considers only private costs and private benefits.

C The government provides goods to prevent the development of monopolies.

D The government provides public goods because private firms cannot charge for them.

9 A government intends to subsidise bus fares and increase taxes on private motoring.

How would this affect the private cost of transport?

	for motorists	for bus passengers
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

10 What is **not** a function of money?

A medium of exchange

B portability

C store of value

D unit of account

11 Bus drivers receive a wage of $15 000 a year. The government introduces a national minimum wage.

Under which circumstances will the largest number of bus drivers become unemployed as a result of the minimum wage?

	national minimum wage (per year) $	demand for bus travel
A	15 000	increasing
B	15 000	unchanged
C	18 000	increasing
D	18 000	unchanged

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12 A clothes retailer borrows money to finance the opening of another clothes shop.

Which type of growth is this?

A internal and horizontal

B internal and vertical

C external and horizontal

D external and vertical

13 What is meant by internal diseconomies of scale?

A average cost for the firm decreases when the output of the firm increases

B average cost for the firm decreases when the output of the industry increases

C average cost for the firm increases when the output of the firm increases

D average cost for the firm increases when the output of the industry increases

14 A food-processing firm decides to change from a labour-intensive production method to a capital-intensive production method.

What is likely to decrease as a result of the change?

A fixed costs as a percentage of total cost

B output per worker per hour

C the level of total output

D variable costs as a percentage of total cost

15 What is an example of a fixed cost?

A electricity

B insurance

C raw materials

D wages

16 What is the definition of profit maximisation?

A The firm is allocating a proportion of profit to other business objectives.

B The firm is making as much profit as possible.

C The firm is making higher levels of profit this year than last year.

D The firm is making the same amount of profit this year as last year.

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17 The central bank of Mexico set its rate of interest to try to keep the rise in the price level to only 3%.

Which government aim was it directly trying to achieve?

A balance of payments equilibrium

B economic growth

C full employment

D low inflation

18 The table shows a forecast for a government budget for year 1 and for year 2.

	year 1 $bn	year 2 $bn
revenue	50	55
spending	60	60

What does the forecast government budget for year 2 show?

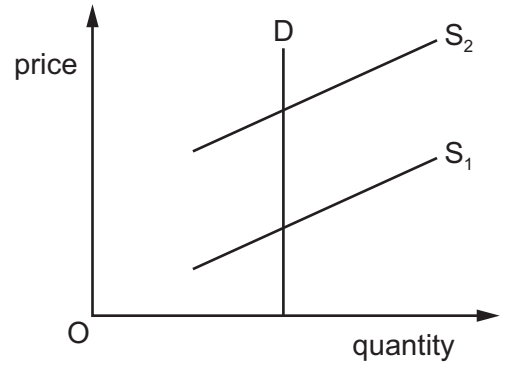
A The budget deficit decreased when compared with year 1.

B The budget deficit increased when compared with year 1.

C The budget surplus decreased when compared with year 1.

D The budget surplus increased when compared with year 1.

19 The graph shows the impact of a tax on the supply of petrol (gas).



What can be concluded from this graph?

A The government will receive no tax revenue.

B The impact of the tax will be shared between the consumer and the producer.

C The impact of the tax will fall entirely upon the consumer.

D The impact of the tax will fall entirely on the producer.

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20 What is most likely to result from a successful supply-side policy?

A a deterioration in the current account of the balance of payments

B economic growth

C increased inflation

D increased structural unemployment

21 The table shows the rates of unemployment and real GDP growth for an economy in year 1 and year 2.

	year 1	year 2
rate of unemployment (%)	3	7
rate of real GDP growth (%)	3	–1

Which combination of policy measures would be most effective in returning the economy to the year 1 level of activity?

A a decrease in direct taxes and an increase in the rate of interest

B a decrease in government expenditure and an increase in the rate of interest

C an increase in direct taxes and a decrease in the rate of interest

D an increase in government expenditure and a decrease in the rate of interest

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22 The table shows selected indicators for the labour market of an economy in year 1 and year 2.

	year 1 (millions)	year 2 (millions)
total labour force	30	30
employed workers	25	28
long-term unemployed	1	2
employment in manufacturing	4	2
employment in services	13	16

According to the table, what is the most likely type of unemployment in year 2?

A cyclical

B frictional

C seasonal

D structural

23 The table shows the percentage changes in earnings and consumer prices for four countries in one year.

Which country has experienced the greatest increase in real income during the year?

	earnings (% change)	consumer prices (% change)
A	+12.5	+9.5
B	+4.0	+2.0
C	+8.5	+5.0
D	+4.0	+4.0

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24 The table shows the distribution of income as measured by GDP for three countries in a year.

	percentage of GDP received by each 20% of households				
	highest 20%	second highest 20%	middle 20%	second lowest 20%	lowest 20%
Belgium	36.4	22.4	18.0	14.3	8.9
Mexico	51.7	20.0	13.5	9.4	5.4
US	46.9	22.4	15.3	10.3	5.1

What can be concluded from the table?

A The lowest 20% of households in the US have lower incomes than the lowest 20% of households in Mexico.

B The lowest 40% of households in Belgium receive a larger share of the country's income than the highest 20% of households.

C The distribution of income is most equal in Belgium.

D The highest 20% of households in the US receive half of the country's income.

25 The number of people in relative poverty in a country is decreasing.

What is the most likely cause of this?

A a contractionary fiscal policy

B a decrease in the national minimum wage

C an expansion of investment in education

D an increase in barriers to entry for multinational companies

26 African economies may have rapid economic growth because of a large increase in their working age population.

Based on this idea, which factor of production is most likely to grow significantly?

A labour

B enterprise

C capital

D land

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27 Which statement shows two benefits for consumers from specialisation at a national level?

A decreased prices and better quality

B decreased profits and high-quality raw materials

C increased choice and high transport costs

D increased productivity and increased economies of scale

28 A multinational company (MNC) opens up a new factory in a host country.

What is a possible cost of this new factory to the host country?

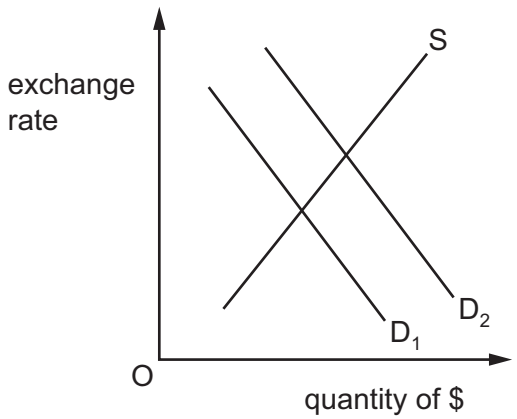
A increased access to modern technology

B increased competition for host-country industries

C increased employment for workers

D increased tax revenue for the government

29 The diagram shows the change in the exchange rate market for country X's $.



Which change in country X would have caused this?

A a fall in its international competitiveness

B a fall in its level of interest rates

C a rise in its exports of services

D a rise in its imports of goods

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30 What is the most likely cause of an increased current account surplus in a country?

A lower prices for the country's exports

B higher exchange rate for the country

C economic growth in the country

D recession in trade-partner countries

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