CAMBRIDGE
International Education

Cambridge IGCSE™

ECONOMICS **0455/11**

Paper 1 Multiple Choice **May/June 2026**

45 minutes

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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 or tape.
- 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 Which government action is likely to reduce the problem of scarcity?

A banning the import of raw materials

B borrowing money to purchase more defence equipment

C introducing maximum prices for essential goods

D subsidising firms to discover more natural resources

2 Moni is considering leaving her full-time job to set up a new business.

What would be the opportunity cost of this decision?

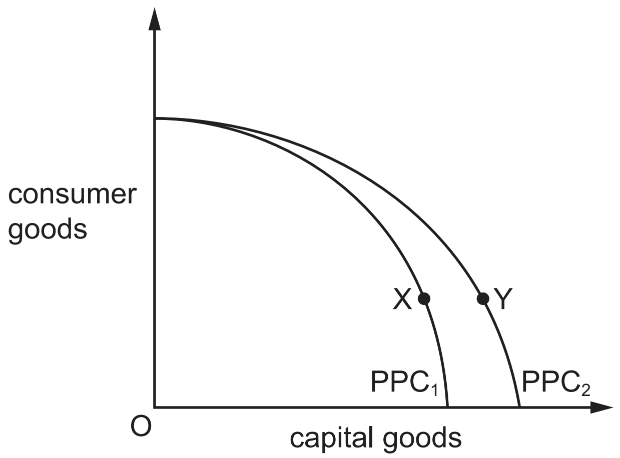
A the interest payment on the loan Moni takes for her business

B the losses Moni incurs while her business is new

C the salary Moni could have earned from her job

D the wages Moni will have to pay to workers in her business

3 A country's production possibility curve (PPC) shifts from PPC_1 to PPC_2 and the economy's output moves from point X to point Y.



What has happened in this country?

A the opportunity cost of capital goods has increased

B economic growth has occurred

C the production of consumer goods has increased

D unemployment has fallen

4 What is the role of the price mechanism in a market economy?

A to allocate scarce resources

B to increase the provision of merit goods

C to make the distribution of goods and services more equal

D to reduce the negative externalities of production and consumption

5 Good X is demanded in two areas, Y and Z. The table shows the amount of X demanded in these areas at different prices.

price of good X ($)	**quantity demanded per month**	
	area Y	**area Z**
5	1000	200
10	800	150
15	600	100
20	400	50
25	200	0

What can be concluded from the table?

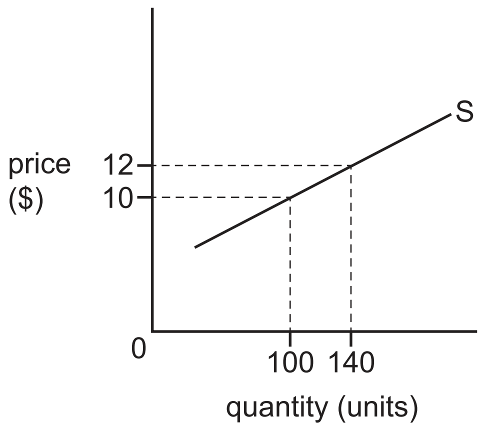
A Consumers in area Y are more willing and able to buy good X than are consumers in area Z.

B Consumers in area Y are richer than consumers in area Z.

C Consumers in area Y want the good more than consumers in area Z.

D There are more consumers living in area Y than in area Z.

6 The diagram shows the supply curve for a good.



What is the price elasticity of supply when the price rises from \$10 to \$12?

A 0.5 **B** 0.75 **C** 1.4 **D** 2.0

7 What does a market economic system rely on to make it efficient?

A agreements on prices among producers

B competition between rival producers

C government regulation of industry

D the nationalisation of industries

8 Economists refer to market failure.

What is a market failure?

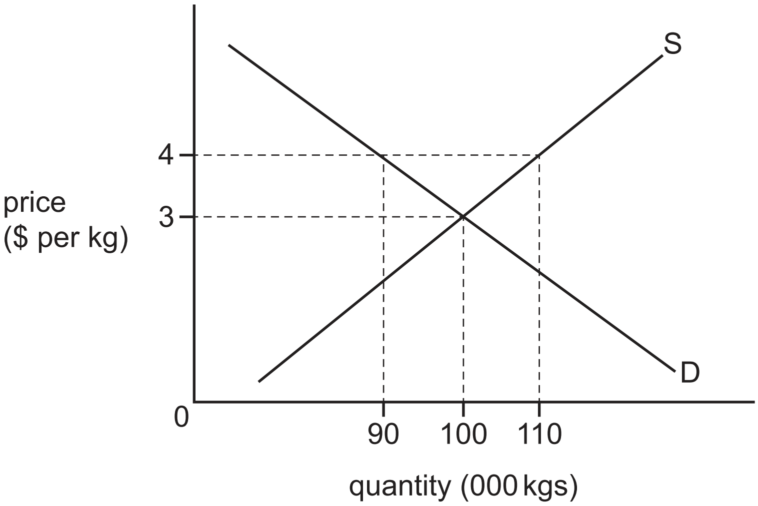
A a lack of information about the effects of a medicine

B different rates of interest offered by banks

C queues to buy tickets at concerts

D seasonal variations in the prices charged for vegetables

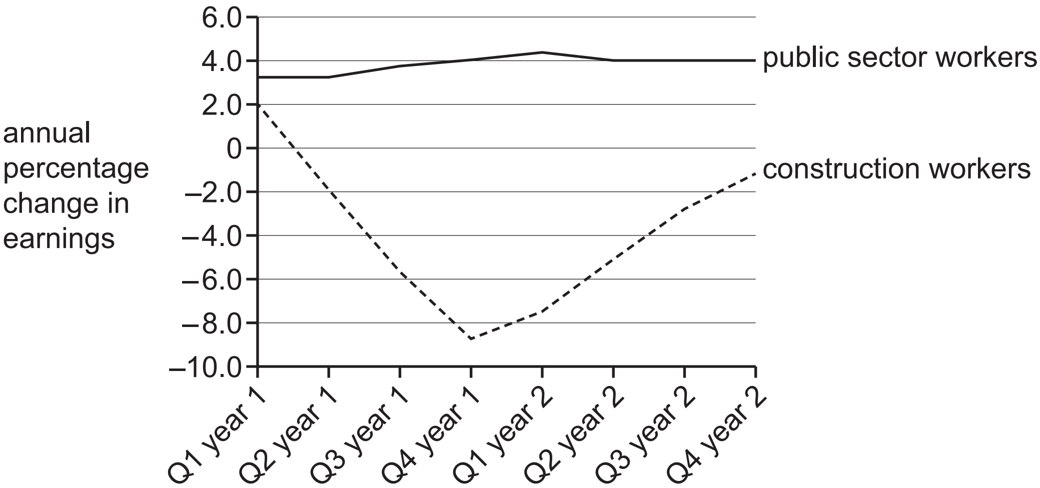
9 The government fixes a minimum price of $4 per kg in the market for rice. It agrees to buy up any surplus rice at this price.



What will be the total spending by the government on rice?

A $20 000 **B** $80 000 **C** $360 000 **D** $440 000

10 The chart shows the annual percentage change in earnings for public sector workers and construction workers for each quarter of two years.



What can be concluded from the data?

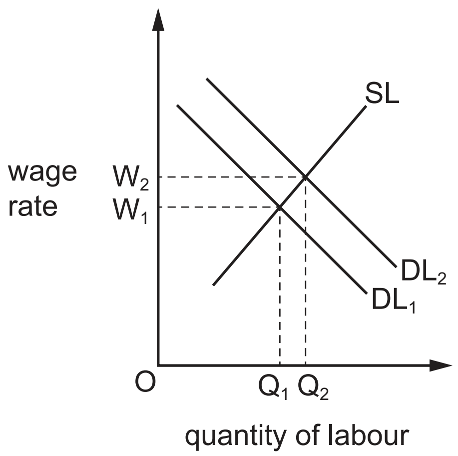
A Construction workers earned less than public sector workers.

B Construction workers' wages fell relative to public sector workers.

C Construction workers' wages rose throughout year 2.

D Public sector workers' wages did **not** change over the period.

11 The diagram shows an outward shift in the demand curve for dentists.



What is the most likely explanation for this?

A an increase in non-wage benefits for dentists

B an increase in the number of dentists in the labour market

C an increase in the size of the population

D an increase in the wage rate of dentists

12 What will increase the strength of a trade union of workers who produce cars?

A a decrease in the demand for cars made by the trade union members

B a decrease in the productivity of workers producing cars

C an increase in the number of car workers with trade union membership

D an increase in the capital intensity of car production

13 What does **not** influence the size of a firm?

A the age of the firm

B the sector in which the firm operates

C the size of the market in which the firm operates

D the type of business organisation used by the firm

14 What is an advantage of capital-intensive production for a manufacturing firm?

A It can produce small amounts of specific products for different customers.

B It has the ability to continuously produce to the same standard of product.

C It is cheaper to set up than most labour-intensive forms of production.

D It is quicker to respond to changes in consumer tastes and preferences.

15 The table shows the output and total cost of a firm.

output (units)	**total cost ($)**
0	30 000
10 000	100 000
20 000	400 000
30 000	500 000

What is the average fixed cost (AFC) of producing 20 000 units?

A $0.50 **B** $1.00 **C** $1.50 **D** $20.00

16 How is a government most likely to prevent the growth of monopolies?

A by encouraging mergers in the private sector

B by establishing nationalised industries

C by promoting the benefits of economies of scale

D by reducing barriers to entry into an industry

17 What is most likely to be provided by a government at a national level?

A armed forces

B household waste collection

C libraries

D sports facilities

18 The government of a country aims for a low rate of inflation of 2% per year.

What is a reason for choosing this aim?

A A government budget surplus is guaranteed.

B Falling prices are always a good thing.

C Greater economic certainty will increase investment.

D Menu costs and shoe-leather costs will be zero.

19 The table shows government receipts from taxation in year 1 and year 2.

	year 1 ($ millions)	**year 2 ($ millions)**
corporation tax	20	40
income tax	200	220
inheritance tax	10	5
tariffs	55	50
value-added tax	60	70

What can be concluded from the table?

A Direct tax revenue increases from year 1 to year 2.

B Indirect tax revenue decreases from year 1 to year 2.

C Inheritance tax becomes more regressive from year 1 to year 2.

D Total tax revenue stays the same from year 1 to year 2.

20 What might be an undesirable outcome of expansionary monetary policy?

A a fall in total demand

B a fall in the rate of unemployment

C a rise in economic growth

D a rise in the rate of inflation

21 Which measure is a supply-side policy?

A a decrease in a fixed exchange rate

B a decrease in the rate of interest

C an increase in the money supply

D an increase in spending on education

22 An increase in which variable is most likely to cause a recession?

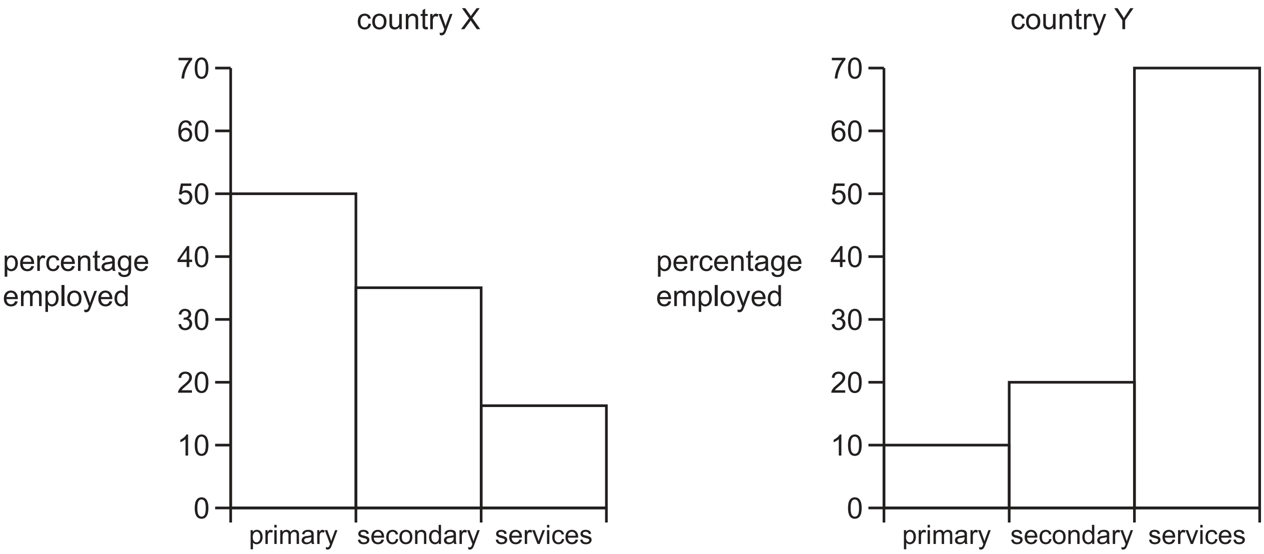
A global demand

B government spending

C interest rate

D money supply

23 The diagrams show percentage employment in different sectors in two countries.



Which statement is correct when comparing country X and country Y?

A Country X employs more workers in secondary industry than country Y.

B Country X produces more primary output than country Y.

C Country Y produces more secondary output than country X.

D Country Y is more developed than country X.

24 The price level in a country increased at a lower rate compared to the previous year.

Which term describes this?

A currency depreciation

B deflation

C falling inflation

D recession

25 What is **not** likely to be used to measure the difference in the standard of living between countries?

A Gross Domestic Product per head

B Human Development Index

C the rate of interest

D the rate of poverty

26 Which feature is **not** a typical characteristic of a high-income country?

A a high death rate

B a high literacy rate

C a large elderly population

D a low number of doctors per head

27 A country decides to specialise in making low-cost mass-produced clothing.

Which factor is most likely to have influenced this decision?

A a large low-skilled workforce

B a shortage of raw materials to make cloth

C high transport costs for completed garments

D strong competition in the international market for clothes

28 What is a feature of globalisation?

A a decrease in foreign investment

B a decrease in migration

C an increase in international trade

D an increase in tariffs

29 What is **least** likely to be a benefit of a floating exchange rate system?

A It gives greater freedom to change the interest rate.

B It helps determine the market value of a currency.

C It provides greater certainty and stability.

D It reduces the requirement to keep foreign exchange reserves.

30 The table shows information from a country's current account of its balance of payments.

	$ billion
exports of goods	20
imports of goods	24
net services	+5
net primary income	–8
net secondary income	–8

What is the country's current account balance?

A +$1 billion **B** –$4 billion **C** –$7 billion **D** –$15 billion

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