CAMBRIDGE
International Education

Cambridge IGCSE™

ECONOMICS **0455/13**

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.

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[Turn over

1 What is the basic economic problem?

A Limited resources are equal to limited wants.

B Limited resources exceed limited wants.

C Unlimited wants are equal to limited resources.

D Unlimited wants exceed limited resources.

2 A commercial bank employs a manager to transfer money between accounts electronically.

What is classified as a capital good of the bank?

A computer

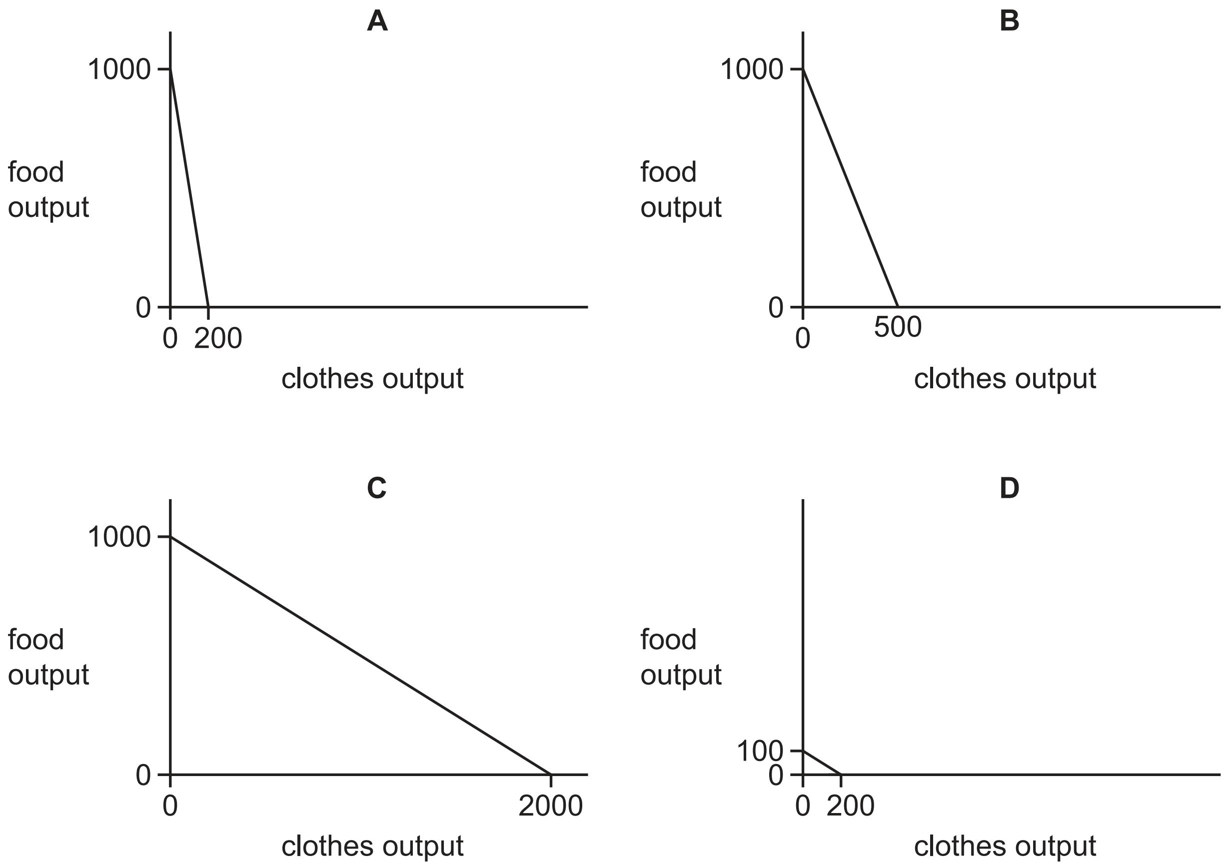
B manager

C money

D owner

3 A country has 100 units of resources which it uses to produce food or clothes. 1 unit of resources produces 10 units of food. The opportunity cost of 1 unit of food is 2 units of clothes.

Which diagram shows the country's production possibility curve (PPC)?



4 Which key resource allocation decision is **not** addressed by the price mechanism?

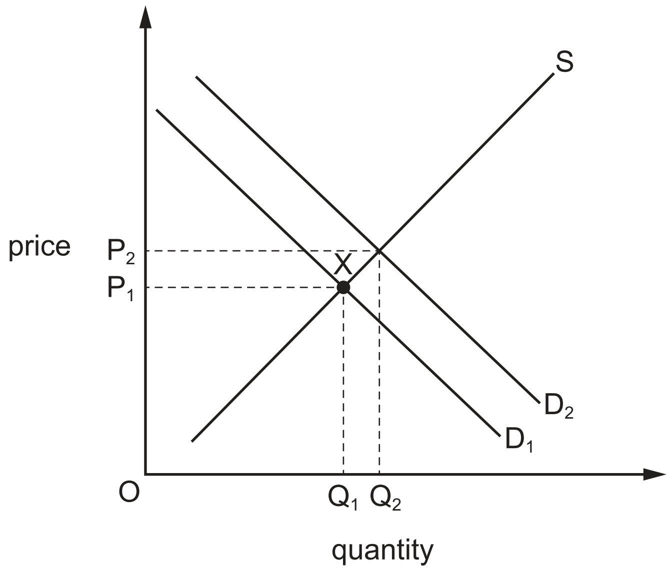
A Who to produce for?

B How to produce?

C What to produce?

D Why to produce?

5 The diagram shows a change in market conditions for a product. The equilibrium was initially at point X.



What can be concluded from this?

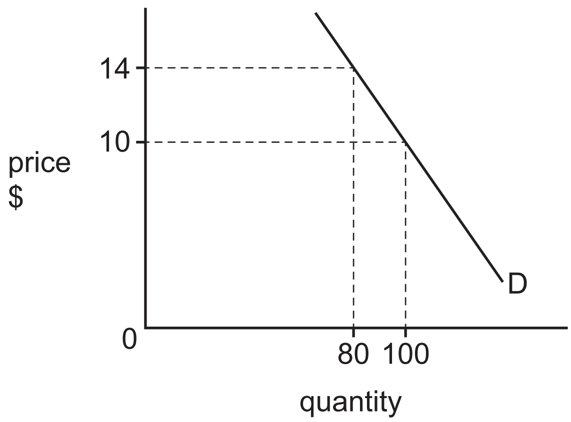
A The decrease in demand has caused an increase in market price.

B The extension in quantity supplied has caused a decrease in market price.

C The extension in quantity supplied has caused an increase in market price.

D The increase in demand has caused an increase in market price.

6 The diagram shows the demand curve for a good.



What is the price elasticity of demand (PED) when the price rises from \$10 to \$14?

A –0.2 **B** –0.5 **C** –1.4 **D** –2.0

7 A shop sells chocolate birthday cakes. When the price was \$15 it sold 40 cakes. It reduced the price to \$10 and sold 60 cakes.

What can be concluded from this?

A The firm will make less profit because the price has fallen.

B The firm will make more profit because sales have increased.

C The price elasticity is inelastic because demand only increased by 50%.

D There is unit price elasticity because the firm's revenue remained the same after the price change.

8 A product has a price elasticity of supply of +2. A change in price causes the quantity supplied to change from 100 units to 120 units.

What is the price change?

A a fall of 10%

B a fall of 40%

C a rise of 10%

D a rise of 40%

9 Which demerit good is likely to have the largest level of overconsumption?

A a demerit good that is subsidised by the government

B a demerit good that is taxed by the government

C a demerit good with an effective minimum price

D a demerit good with no government intervention

10 In exceptional times and places, packs of cigarettes have been used as money.

Which characteristic of money do packs of cigarettes lack in order to fulfil this role effectively?

A divisibility

B durability

C portability

D recognisability

11 Which term describes the disposable income of households **not** spent on goods and services?

A borrowing

B capital

C income tax

D savings

12 The table shows how employment in selected industries changed in a country between year 1 and year 2.

	year 1 (thousands employed)	**year 2 (thousands employed)**
banking and finance	2336	2881
distribution	4678	5323
farming	2278	1594
manufacturing	4102	3128

Which employment has increased?

A primary

B secondary

C tertiary

D total

13 What is the most likely reason for the survival of small firms in an industry?

A The industry has high levels of research and development.

B The industry has large economies of scale.

C The industry has low fixed costs.

D The industry uses the division of labour extensively.

14 What is the **least** likely reason for a move towards a more capital-intensive production method?

A Technology becomes more easily available.

B The demand for personalised products rises.

C The government raises minimum wages.

D Trade unions become more powerful.

15 The table shows the information that managers of a company have from a week of business activity.

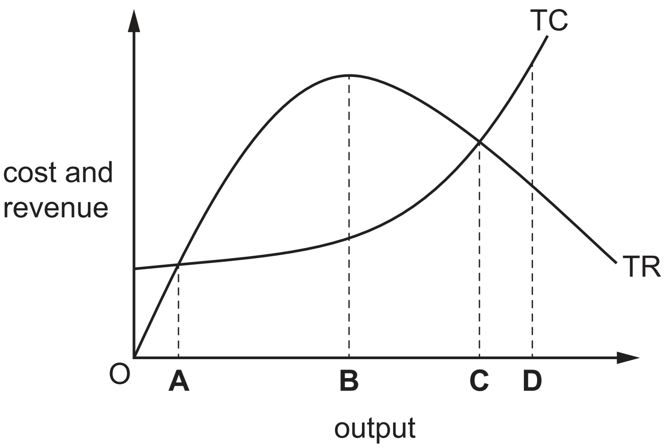
number of employees	100
average wage	$100
value of output	$100 000
rent	$10 000
raw materials	$20 000

Assuming there are no other costs, what is the value of the fixed costs?

A $300 **B** $10 000 **C** $20 000 **D** $30 000

16 The diagram shows the total revenue (TR) and total cost (TC) of a firm in a market.

At which level of output will the firm maximise profits?



17 Which role of the government is **not** carried out by the private sector?

A introducing a sales tax on luxury goods

B providing health services

C supplying essential food items

D training and educating workers

18 What is an outcome when the government successfully redistributes income?

A a decrease in the trade deficit

B a more equal share of GDP for all citizens

C an increase in absolute poverty

D an increase in income tax rates for all workers

19 The following are a government's receipts from taxation.

	$million
tax on company profits	90
income tax	500
import duties	25
sales tax (VAT)	200

What is the total amount of revenue raised by direct taxes?

A $315m **B** $525m **C** $590m **D** $700m

20 What would the government reduce to decrease inflation?

A the money supply

B its foreign exchange rate

C income tax

D the rate of interest

21 Which supply-side policy measure is most likely to reduce the size of the public sector?

A increased education and training

B increased privatisation

C infrastructure development

D providing more subsidies to firms

22 What may be a cost of economic growth?

A better health care

B higher real income

C increased life expectancy

D increased working hours

23 A country closed its oil wells because it had used up most of its supplies of oil.

Which type of unemployment would this cause?

A cyclical

B frictional

C seasonal

D structural

24 There has been a rise in the rate of inflation from 3% to 6% in country X.

What is the most likely consequence of this?

A an increase in confidence in the economy

B an increase in costs for firms

C an increase in export revenue

D an increase in the value of money

25 The table shows the Human Development Index (HDI) value for two countries in a particular year.

	HDI value
Mali	0.41
Sweden	0.95

What is a likely reason for the difference in the HDI value?

A Sweden has a higher life expectancy.

B Sweden has a higher rate of inflation.

C Sweden has a higher rate of population growth.

D Sweden has a higher valued exchange rate.

26 A town has a population of 20 000. The birth rate is 25 per thousand and the death rate is 15 per thousand. The number of people moving in and out of the town exactly balances.

What will the population be at the end of one year?

A 19 800 **B** 20 010 **C** 20 200 **D** 22 000

27 Most of one country's export revenue comes from selling the mineral bauxite.

What is the most likely advantage to this country of further specialisation in the mining of bauxite?

A increased productivity in the primary sector

B increased variety of goods produced for consumers

C reduced exploitation of the country's natural resources

D reduced risk of large fluctuations in the current account of the balance of payments

28 What is the likely benefit of free international trade?

A increased government revenue from import taxes

B increased prices of all traded goods

C protection of domestic industries

D world output is increased

29 What would cause an increase in the supply of a country's currency in the foreign exchange market?

A an increase in demand for the country's exports

B foreign multinational companies increase investment in the country

C speculation that the country's currency will depreciate

D the central bank of the country raises its interest rates

30 A country has a deficit on the current account of its balance of payments.

What would be most likely to reduce the size of its deficit?

A a reduction of tariffs on its imports

B an increase in the exchange rate of its currency

C increased spending by tourists from abroad

D a rise in its rate of inflation

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