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Mock Paper Set 1

Paper 1 (Multiple Choice) · Paper 2 (Structured Questions)
Written to the format of the Cambridge IGCSE Economics 0455 syllabus for examinations in 2027, 2028 and 2029

What is inside this set

Paper	Type	Time	Marks	What it tests
Paper 1	Multiple Choice	1 hour	40	40 questions, one mark each, across the whole syllabus; some use calculations and diagrams
Paper 2	Structured Questions	2 hours	80	Section A: compulsory data response question (20 marks). Section B: answer three of the four questions (20 marks each)

Then: **worked solutions and mark schemes** for every question, including all four Section B questions, a **topic map** (each question → syllabus reference → our notes chapter), an **"If you lost marks on…"** table and a percentage self-check.

How to use this set

1. Sit each paper in one go, **timed**, with no notes. You may use a calculator.
2. For Paper 1, write your letter in the answer grid at the end of the paper. For Paper 2, write on your own lined paper; the real paper uses an answer booklet.
3. Mark your work with the mark scheme. Each green badge is one mark. Give a mark only when your answer says the same thing. Part (d) of Section B is marked by levels: choose the level that fits, then the mark within it.
4. Read the worked solution for every question you lost marks on, then use the topic map to revise from the notes chapter.

Timing guide

- Paper 1: about 1.5 minutes per question.
- Paper 2: about 30 minutes per question (four questions in 2 hours). Spend about 3 minutes choosing your Section B questions.

★ *Exam tip:* Command words matter: **identify** or **define** = short and exact; **explain** = say why or how; **analyse** = build a chain of linked steps; **discuss** = develop both sides, then judge.

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ECONOMICS 0455 · Mock Set 1 — 2 hours

Paper 2 Structured Questions

You will need: your own lined paper (the real paper uses an answer booklet) and a calculator.

INSTRUCTIONS

- Answer four questions in total. Section A: answer Question 1. Section B: answer three questions.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 80.
- The number of marks for each question or part question is shown in brackets [ ].

Section A

Answer all parts of Question 1. Read the information carefully before you answer.

Question 1

Lithium and the economy of Tavara

Table 1.1 Tavara fact file 2025

Gross Domestic Product (GDP)	64 billion dollars
population	12.8 million
government spending	17.60 billion dollars
government revenue	15.36 billion dollars
unemployment rate	6.4%
inflation rate	4.2%

Until 2018, most people in Tavara earned a living from farming and herding on the high plateau. Then geologists confirmed that there were large deposits of lithium beneath the salt flats near the town of Arvel. Lithium is used in the batteries of electric vehicles, and world demand for it has grown rapidly.

A foreign multinational company (MNC), Norden Minerals, opened Tavara's first lithium mine in 2020 and a second in 2024. The MNC was attracted by the size of the deposits, by wages that are lower than in its home country and by a five-year tax holiday. Extracting lithium uses very large quantities of underground water. Herders near Arvel report that their wells are running dry, and that dust from the mines has damaged their pasture. Heavy lorries carrying lithium have also damaged the road to the border, which other road users rely on.

The mines employ 6000 workers, most of whom have moved to Arvel from other parts of the country. Few new homes have been built in the town.

Tavara's share of workers in the primary sector remains high. Table 1.2 compares Tavara with five other countries in the region.

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Table 1.2 Share of workers in the primary sector and GDP per head in selected countries, 2025

country	share of workers in the primary sector / %	GDP per head / dollars
P	8	34 000
Q	14	21 500
R	22	11 000
T	31	42 000
Tavara	38	5 000
S	46	2 400

Almost all of Tavara's lithium is exported unprocessed. It is refined into battery-grade material abroad, and most of the final value is added there. The Tavaran Government is considering a ban on exports of unprocessed lithium from 2028, so that mining firms have to build refineries in Tavara. Ministers argue that refineries would create skilled jobs and raise tax revenue. Norden Minerals warns that it may cancel plans for a third mine. Refineries also need a reliable supply of electricity, and power cuts are common in Tavara.

In your answers to Question 1, you must use the information provided.

(a) Calculate Tavara's government budget deficit in 2025 as a percentage of its GDP. Show your working. [2]

(b) Identify **two** external costs of lithium mining in Tavara. [2]

(c) Explain **one** reason why Norden Minerals chose to open mines in Tavara. [2]

(d) Draw a demand and supply diagram to show the effect of the arrival of mine workers on the market for rented housing in Arvel. [4]

(e) Analyse the relationship between the share of workers in the primary sector and GDP per head. [4]

(f) Discuss whether or not the Tavaran Government should ban exports of unprocessed lithium. [6]

[Total: 20]

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Section B

Answer any three questions.

Each question is introduced by a short paragraph of information. You may refer to this information and/or to other examples you have studied.

Question 2

In 2024, the Marenian Government sold its state-owned postal company, Marepost, to private investors. Marepost is still the only firm licensed to deliver letters in Marenia. Since it was sold, 140 rural post offices have closed and the price of a standard letter has risen from 60 cents to 85 cents. The market for parcels is different, because several firms compete to deliver them. Some politicians now argue that Marepost should be returned to public ownership.

(a) Define 'privatisation'. [2]

(b) Explain **two** ways consumers may benefit from several firms competing to deliver parcels. [4]

(c) Analyse how a private monopoly could lead to a misallocation of resources. [6]

(d) Discuss whether or not a government should nationalise a private monopoly. [8]

[Total: 20]

Question 3

The container port at Caldora handles most of the country's foreign trade. In 2025, its owner replaced its manual cranes with automated cranes controlled from an office. As a result, 900 dock workers lost their jobs. Their trade union won extra redundancy pay but could not stop the job losses. Many of these workers are over 50 and have few computer skills, while the port is short of technicians, who are well paid. The Caldoran Government plans to raise the national minimum wage.

(a) Identify **two** features of a job, other than its wage, that could persuade a dock worker to retrain as a technician. [2]

(b) Explain **two** reasons why a firm may change from labour-intensive to capital-intensive production. [4]

(c) Analyse, using a demand and supply diagram, how a decrease in demand for dock workers could affect their wage rate and the number employed. [6]

(d) Discuss whether or not a rise in the national minimum wage would benefit low-paid workers. [8]

[Total: 20]

Question 4

Between 2023 and 2025, the inflation rate in Belvania rose from 3% to 9%, mainly because of a sharp rise in the price of imported fuel. The central bank increased the rate of interest from 4% to 7%. Belvania's real GDP grew by 5% a year over this period and many new factories opened. However, air quality in its cities became worse and the gap between the highest and lowest incomes widened.

(a) Define 'inflation'. [2]

(b) Explain **two** consequences for firms of a high inflation rate. [4]

(c) Analyse how an increase in the rate of interest could reduce inflation. [6]

(d) Discuss whether or not economic growth always raises living standards in a country. [8]

[Total: 20]

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Question 5

Kelvara imports almost all of its electric scooters. In 2025, its government placed a 30% tariff on imported scooters to help a new home assembly plant to become established. Kelvara has a current account deficit equal to 4% of its GDP, and its currency, the kel, depreciated against the US dollar during 2025. Some trading partners have warned that they may place tariffs on Kelvara's exports of textiles in response.

(a) Identify **two** methods of protection, other than a tariff. [2]

(b) Explain **two** reasons why a country's currency may depreciate. [4]

(c) Analyse how a depreciation of a country's currency could reduce a current account deficit. [6]

(d) Discuss whether or not a government should use a tariff to protect an infant industry. [8]

[Total: 20]

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Worked solutions and mark scheme

Paper 1 Multiple Choice: answer key

1 C	2 A	3 D	4 B	5 C	6 D	7 C	8 A	9 D	10 B
11 C	12 A	13 B	14 D	15 A	16 C	17 A	18 B	19 D	20 C
21 B	22 A	23 D	24 D	25 B	26 C	27 D	28 A	29 B	30 A
31 C	32 D	33 B	34 A	35 C	36 B	37 D	38 A	39 C	40 B

Each correct answer scores 1 mark (total 40). The key has ten each of A, B, C and D. For each question: why the answer is right, and why the most tempting wrong option is wrong.

1 C. Hand sewing or machines is a choice of production method, so it answers "how to produce". D: "what to produce" would be a choice between shirts and another product. A: "who to produce for" is about who receives the goods.

2 A. An economic good needs scarce resources to make it, so it has an opportunity cost. A free good, such as sea air, needs none. B: some economic goods are handed out at no charge, such as a state-school place, but they still use scarce resources. C: who makes a good does not decide whether it is economic or free. D: wants are not the test; scarcity is.

3 D. Natural resources are land, man-made aids to production are capital and human effort is labour. A: machines are made by people, so they are capital, not land. B, C: workers are never capital in this classification.

4 B. Wheat falls from 90 to 70 tonnes, so the opportunity cost is 90 − 70 = **20 tonnes**. A is the cost of the previous 10 robots (100 to 90). C is the cost of the next 10 robots. D is the wheat that remains, not the wheat given up.

5 C. Only the consumer goods end of the curve moves out, so only that industry can make more. The most capital goods the economy can make has not changed. B would move both ends out. A moves a point inside the curve towards it. D is a movement along an existing curve.

6 D. An extension is a movement down along the demand curve, caused only by a fall in the good's own price. C is a contraction. A and B shift the demand curve instead of moving along it.

7 C. The curve shifts left, so demand has decreased. E-readers are a substitute, and when they become cheaper, some buyers switch to them. A: a change in the book's own price moves along the curve. B and D would shift demand to the right.

8 A. A fall in the cost of a raw material lowers production costs, so firms supply more at every price. C: a rise in the T-shirt's own price is a movement along the supply curve, not a shift. B and D raise costs and shift supply left.

9 D. At £3, quantity demanded = 70 kg and quantity supplied = 30 kg, so demand exceeds supply by 70 − 30 = **40 kg**, a shortage. A and C are the two quantities, not the gap between them. B: below the equilibrium price of £4 there is a shortage, not a surplus.

10 B. Both changes push the price up. Higher demand raises quantity and lower supply reduces it, so the net effect on quantity depends on the sizes of the shifts. A assumes the demand change is larger, which we are not told. C has the price and quantity results the wrong way round.

11 C. % change in price = +25%; % change in quantity = −15%. PED = −15 ÷ 25 = **−0.6**. B divides the wrong way up (price ÷ quantity). A uses the actual changes (−60 ÷ 2), not percentages. D loses the negative sign: PED for a normal demand curve is negative.

12 A. Quantity falls by 20% to 800 and the price rises to £11. New revenue = 800 × £11 = £8 800, against £10 000 before: a fall of **£1 200**. Demand is elastic, so a price rise reduces revenue. B adds the percentages (+10 − 20 = −10%), which is only approximate. D ignores the fall in quantity.

13 B. PES = % change in quantity supplied ÷ % change in price, so % change in quantity = 0.4 × 15 = **6%**. D divides 15 by 0.4. C assumes PES = 1.

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Paper 2 Structured Questions: worked solutions and mark scheme

Each green badge = one mark. ";" separates marking points. Credit any correct point not listed, even if worded differently. allow = also accept. "Own figure" = a correct method using your earlier wrong figure still scores. The paper total is 80: Question 1 (20) plus your best three Section B questions (20 each). Solutions for all four Section B questions are given.

How Section B part (d) is marked (8 marks, by levels)

Level	What the answer does	Marks
3	A reasoned discussion that develops two sides of the argument, using clear and logical analysis and accurate economic terms. One side may be stronger than the other. It may also point out why the outcome is uncertain.	6–8
2	Some reasoned discussion using clear analysis and some relevant economic terms, but it lacks depth or is one-sided.	3–5
1	Relevant definitions or statements that are not developed.	1–2
0	Nothing creditable.	0

Section A · Question 1 (20 marks)

(a) Deficit = spending − revenue = 17.60 − 15.36 = 2.24 billion dollars. As a percentage of GDP = 2.24 ÷ 64 × 100 = **3.5%**.

> **Mark scheme** correct method: (17.60 − 15.36) ÷ 64 × 100 1; 3.5% 1 a correct answer alone scores both marks

(b) External costs fall on people who are not part of the mine's own decision: the herders and other road users. Any two from the source: wells running dry, dust damaging pasture, damage to the road.

> **Mark scheme** first external cost from the source 1; second external cost from the source 1 wells running dry / loss of underground water; dust damage to pasture; road damage. Do not allow wages or a tax holiday. If more than two are given, consider the first three only.

(c) Wages in Tavara are lower than in the MNC's home country, so its labour costs are lower and it can earn more profit on each tonne.

> **Mark scheme** reason from the source 1; explanation of why this helps the firm 1 allow: large deposits (1) so the mines can operate for many years (1); tax holiday (1) so it keeps more of its profit for five years (1)

(d) More workers want to rent homes in Arvel, so demand shifts to the right. Few new homes are being built, so the supply curve does not shift. Rents rise and more homes are rented.



Mark scheme axes labelled price (or rent) and quantity 1; original curves labelled D_1 and S 1; new demand curve D_2 to the right of D_1 1; both equilibria shown (P_1 Q_1 and P_2 Q_2, or points marked) 1 no marks for writing; the marks are for the diagram

(e) The expected relationship is negative (inverse): countries with a higher share of workers in the primary sector tend to have lower GDP per head. For example, P has the lowest share (8%) and 34 000 dollars per head, while S has the highest share (46%) and only 2 400 dollars. Primary work such as small-scale farming tends to have low productivity and produce low-value output, so incomes are low. T is an exception: 31% of its workers are in the primary sector, yet it has the highest GDP per head (42 000 dollars). This may be because its primary output is high in value, for example oil.

Mark scheme negative / inverse relationship stated 1; supporting evidence from Table 1.2 1; analysis of why (low productivity / low-value primary output / few higher-paid manufacturing and service jobs) 1; exception T identified with its data, or a reason for it 1 maximum 4 from these. Allow Tavara to be used as supporting evidence.