

ZNOTES // IGCSE SERIES

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CIE IGCSE ECONOMICS 0455

QUESTIONS AND ANSWERS WITH MNEMONICS

**What are the factors
affecting demand?**

NOTES

PRODUCING PAPER IS SO INCREDIBLY PAINFUL

- Price
- Preferences
- Income available
- Price of Substitute/Complementary Goods
- Interest rates
- Population

**What are the factors
affecting supply?**

NOTES

PEOPLE CAN GET BRAIN TUMOR

- Prices of other goods/service
- Cost of factors of production
- Global factors
- Business optimism
- Technology advancement

**What are the factors
affecting PEd?**

NOTES

SPIN

- Number of Substitutes
- Period of time
- Proportion of Income spent
- Necessity of product

**What are the factors
affecting PEs?**

NOTES

SOME ANIMALS FEATURE SMALL TALONS

- Supply available to meet demand
- Availability of resources
- Factor substitution availability
- Spare production capacity availability
- Time

How do markets fail?

NOTES

HUMANS USUALLY ENCOUNTER MANY POISONOUS PESTS

- Harmful goods may be produced (e.g. drugs)
- Unemployment – may become capital intensive
- Environmental damages
- Monopolies dominate price
- Only Profitable goods produced
- Public goods not provided

**What are the advantages of
a market system?**

NOTES

INCORRECT SUBSTITUTION CAN CAUSE ERRORS

- Incentive to produce goods consumers want (based solely on consumer demand)
- Incentive to acquire new Skills
- Encourages producers to Conserve resources
- Competition makes business more effective
- Economic freedom

**What are the functions of
money?**

NOTES

SUMS

- Sore of value
- Unit of account
- Medium of exchange
- Standard for deferred payment

**What are the characteristics
of good money?**

NOTES

PADSS

- Portability
- Aceptability
- Divisibility
- Scarcity
- Stability

**What are the types of
lending from commercial
banks?**

NOTES

LOUSY OLYMPIANS CREATED MONSTERS

- Loans
- Overdraft
- Credit cards
- Mortgages

**What are the functions of
the central bank?**

NOTES

LEOPARD PATTERNED SUITCASES SHOULD BE MUTILATED

- Lender of last resort
- Printing notes and minting coins
- Setting interest rates
- Supervising monetary policy
- Banker for commercial banks and government
- Manage international financial system

**What are the functions of
trade unions?**

NOTES

NEGLECTING DEVELOPMENT IS COMMON IN DICTATORS

- Negotiating wages and other non-wage benefits
- Defending employee rights and jobs
- Improve pay and other benefits
- Improving working Conditions
- Increase worker participation in business decisions
- Develop skills of union members

What are the types of trade unions?

NOTES

CING

- Craft unions
- Industrial unions
- Non-manual unions/Professional unions
- General unions

**What are the different
industrial actions?**

NOTES

ONLY WORKERS GET SALARIES

- Overtime ban
- Work to rule
- Go slow
- Strike

What are the advantages of trade unions?

NOTES

MY BROTHER KILLS INSECTS

- Maintain employment/enhance job security
- Bring about minimum working standard
- Keep pay higher
- Improvement in health and society

**What are the disadvantages
of trade unions?**

NOTES

WHO WANTS FREE LAMPS?

- Workers made redundant
- Workers will need to pay union membership fees
- Fashions change very quickly
- Lack of flexibility in working practices

**How can you measure a
firms size?**

NOTES

OMAN

- Organization
- Market share
- Amount of capital employed
- Number of employees

What are the economies of scale?

NOTES

FILL THE REMAINING MUGS

- Financial economies
- Technical economies
- Risk-bearing economies
- Marketing economies

**What are the diseconomies
of scale?**

NOTES

MAL

- Management diseconomies
- Agglomeration diseconomies
- Labor diseconomies

Why do firms compete?

NOTES

MANY ACTORS INVEST IN STOCKS

- Maximize profits
- Achieve product superiority
- Increase number of customers
- Increase sales revenue
- Expand Share of total market sales

**What are the disadvantages
of monopolies and
oligopolies?**

NOTES

COMPUTER SOMETIMES HAVE LOW RAM

- Offer less Consumer choice
- Supply less and charge higher prices
- Higher production costs
- Lower quality products
- Restrict competition using barrier

What are the pricing strategies?

NOTES

PLEASE EXCLAIM MY PUBLIC PRESENCE

- Penetration pricing
- Expansion pricing
- Market skimming
- Price leadership
- Predatory pricing

**What are the natural
barriers to entry?**

NOTES

LACE

- Large customer base
- Advance product or patented processes
- Costs saving from large scale production
- Equipment – can't afford

**What are the artificial
barriers to entry?**

NOTES

PSR

- Predatory pricing strategies used
- Preventing suppliers from selling materials
- Forcing retailers to stock only their products

**What is the competition
policy?**

NOTES

BRING FIRST PERSON SHOOTER

- Fines on firms who abuse power
- Forcing oligopolies and monopolies to break up
- Setting maximum price levels
- Public ownership of monopolies

**What is the role of the
government in an economy
as a producer?**

NOTES

POLITE STUDENTS CAPTURE SUCCESSES

- Produce essential goods and services
- Supply merit goods
- Supply public goods
- Control monopolies

What are the main macro-economic objectives?

NOTES

LAZY HOMEOWNERS EAT BURGERS

- Low and stable rate of inflation
- High and stable level of employment
- Encourage economic growth
- Encourage trade and secure favorable balance of international transactions

**What are the supply side
policies?**

NOTES

EVERY COMPANY SHOULD DELIVER FREE TASTY LUNCHES

- Education and training
- Competition policy
- Subsidies/grants
- Deregulation
- Free trade agreement
- Tax incentives subsidies
- Labor market regulations

**What are the reasons to
tax?**

NOTES

ROWDY DUCKS DRIVE FERRARIS

- Redistribute income from rich to poor
- Discourage certain activities
- Discourage import of goods
- Finance public expenditure

Direct taxes

NOTES

POOR PEOPLE CAN'T CONSUME TEA

- Personal income tax
- Payroll taxes
- Corporation taxes
- Capital gains tax
- Transfer tax

Indirect tax

NOTES

TEACHERS ARE USUALLY ECCENTRIC

- Ad valorem taxes
- Tariffs
- Excise duty
- User charges

What are the advantages of regulations?

NOTES

BAIL

- Balance between interest of firms and consumers
- Allows government to regulate firms
- Improve efficiency and redistribute income
- Limit affect of externalities

**What are the reasons to
subsidies?**

NOTES

PEEP

- Provide support for industries in decline
- Encourage production of goods of natural importance
- Encourage development of new products and industries
- Protect domestic industries against foreign competition

**Why were companies
nationalized in the past?**

NOTES

MILLIONAIRES FUND CORRUPT POLITICIANS

- Maintain a public service
- For safety
- Control monopolies
- Protect employment

**How can public sector firms
be privatized?**

NOTES

JOURNALISTS CAN REVEAL SECRETS

- Joint ventures with private firms
- Contracting out
- Removing barriers to competition
- Sale of public sector assets

**What are the personal and
economic consequences of
inflation?**

NOTES

RC-BIRD

- Reduces purchasing power
- Causes unemployment
- Boosts tax revenues
- Increases government spending
- Reduces real value of loans and savings
- Decrease in company profits

**How does deflation take
place?**

NOTES

FFEET

- Firms make less revenues
- Firms produce less as less demanded
- Employers hire few workers
- Expectation of prices to fall, people stop spending
- Things become cheaper

**What are the consequences
of deflation?**

NOTES

F-BIRD

- Firms make less profit
- Bankruptcy
- Incomes fall in households
- Reduce workforce
- Deep recession

**What are the different types
of unemployment?**

NOTES

CAR SECURITY FEATURES SENSORS

- Cyclical
- Structural
- Frictional
- Seasonal

**What are the personal costs
of unemployment?**

NOTES

LDD

- Loss of income
- Deskill of unemployment
- Depressed and ill; strain on family

**What are the economic
costs of unemployment?**

NOTES

FTW

- Fewer goods and services produced
- Tax revenues lower
- Welfare payments rise

**What are the policies to
alleviate poverty?**

NOTES

FT FRED

- Food aid
- Technological aid
- Financial aid
- Removing barriers to overseas trade
- Economic advice
- Debt relief