UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

ECONOMICS **2281/11**

Paper 1 Multiple Choice **May/June 2013**

1 hour

Additional Materials: Multiple Choice Answer Sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

0611352254

READ THESE INSTRUCTIONS FIRST

Write in soft pencil.
Do not use staples, paper clips, highlighters, glue or correction fluid.
Write your name, Centre number and candidate number on the Answer Sheet in the spaces provided unless this has been done for you.
DO NOT WRITE IN ANY BARCODES.

There are **forty** 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 separate Answer Sheet.

Read the instructions on the Answer Sheet very carefully.

Each correct answer will score one mark. A mark will not be deducted for a wrong answer.
Any rough working should be done in this booklet.

This document consists of **11** printed pages and **1** blank page.

© UCLES 2013

1 A tractor factory runs out of important components and has to stop production.

How does this illustrate the economic problem?

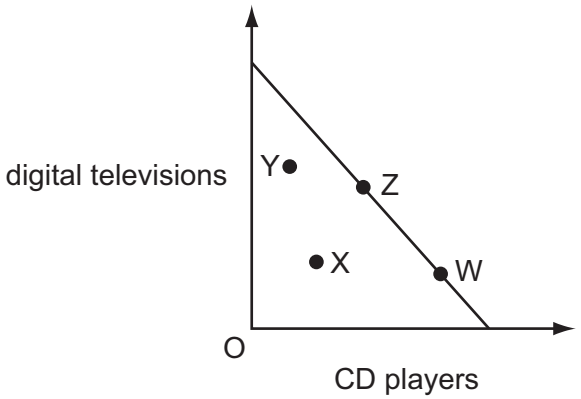
A The factory lacks a competitive advantage.

B The factory lacks economies of scale.

C There are limited wants.

D There is evidence of scarce resources.

2 The diagram shows a production possibility curve for digital televisions and CD players.



Which movement shows an increase in the use of existing resources to increase production for both digital televisions and CD players?

A X to W **B** X to Z **C** Z to W **D** Z to Y

3 Which group linked to a firm always bears the risk of the decision to produce?

A creditors

B managers

C owners

D workers

4 In a pure market economy, which secondary factor determines the distribution of goods and services?

A fairness to the consumer

B needs of the consumer

C price of the product

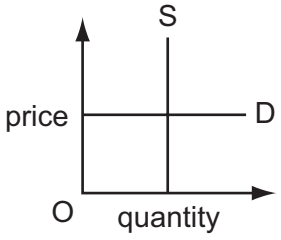
D quality of the product

© UCLES 2013

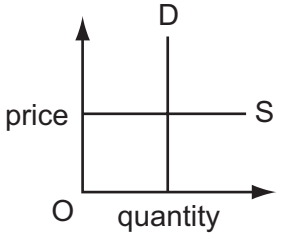
5 There are a fixed number of seats at a concert. Most of the audience would continue to attend even if the seat prices were increased.

Which demand and supply diagram represents this situation?

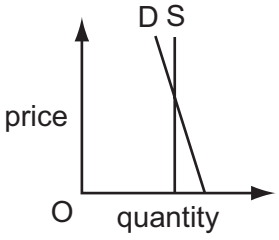
A



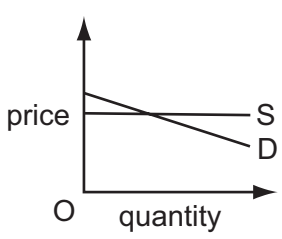
B



C



D



6 Maize and fuel are used in the production of Mexican tortillas. In 2010 Mexico produced a record maize crop but in 2011 rises in the price of fuel increased costs for tortilla makers.

What is likely to have happened to the price of tortillas in 2010 and 2011?

	price in 2010	price in 2011
A	decreased	decreased
B	decreased	increased
C	increased	decreased
D	increased	increased

7 When the price of shirts rises from $8 to $10, the demand for shirts falls from 1000 to 500.

What is the price elasticity of demand for shirts?

A greater than 1

B unitary

C less than 1

D zero

8 What is a likely reason why many countries' governments subsidise scientific research?

A Private sector firms may overestimate the external benefits and ignore the private benefits of scientific research.

B Private sector firms may overestimate the external costs and ignore the private costs of scientific research.

C Private sector firms may underestimate the private benefits and ignore the external benefits of scientific research.

D Private sector firms may underestimate the private costs and ignore the external costs of scientific research.

© UCLES 2013

9 When the price of a good doubles the demand falls by less than half, and the revenue received by the seller increases.

What does this suggest about the good?

A it has substitutes

B it is a necessity

C it is in fixed supply

D it is perfectly elastic in demand

10 When is the market system **not** used to allocate resources?

A When a local firm persuades people to buy its products through advertising.

B When a local government fixes the price of rented accommodation.

C When a local shop has a monopoly in the area.

D When a local solicitor charges a different price for the same service to different people.

11 The use of a mobile (cell) phone to make payments is an example of which function of money?

A a medium of exchange

B a standard of deferred payment

C a store of wealth

D a unit of account

12 What is most likely to cause a person to save a larger proportion of their weekly income rather than spend a larger proportion of their weekly income?

A a decrease in the tax on goods and services

B a decrease in weekly income

C an increase in interest rates

D an increase in the range of products available

13 Which of the following is most likely to limit wage increases in an industry?

A an increased demand for the industry's product

B a rise in the industry's profits

C a rise in wages for workers in similar jobs

D the replacement of workers with robots

© UCLES 2013

14 What is a function of a trade union?

A to negotiate workers' contracts

B to promote workers to more responsible jobs

C to recruit workers for the firm

D to supervise the workers in the firm

15 Although car production is based on specialisation, fewer workers are employed than 20 years ago.

What might be the reason for this change?

A Speed of car production is slower.

B Various tasks are performed by machines.

C Wages of workers have declined.

D Work is repetitive and boring.

16 Differences in earnings between higher paid and lower paid jobs have widened in developed countries.

What is the most likely reason for this?

A Immigration of unskilled workers has reduced.

B The demand for highly skilled workers has increased.

C Unemployment rates have remained low.

D Women are paid the same rates as men.

17 Which characteristic relates to perfect competition and which to monopoly?

	perfect competition	monopoly
A	abnormal profit	normal profit
B	barriers to entry	freedom of entry
C	few firms	many firms
D	price taker	price maker

18 Which of the following is an internal diseconomy of scale?

A a lack of communication in a firm

B a reduction of cost by buying in bulk

C a shortage of skilled labour in an area

D traffic congestion in a particular area

19 Cocoa and sugar are used in a factory to produce chocolate.

What is a fixed cost in the production of chocolate?

A cocoa

B electricity

C rent

D sugar

20 In August 2008, Infosys, an Indian information technology company, bought Axon, a UK information technology company.

Which type of integration is this?

A conglomerate

B horizontal

C vertical backwards

D vertical forwards

21 The multinational Indian Tata Group, which has companies in chemicals, consumer goods, engineering and communications, has been buying foreign companies.

What does this action most likely suggest about the company?

A It intends to achieve a domestic monopoly position.

B It intends to increase its level of specialisation.

C It intends to reduce fixed costs.

D It intends to spread risks by diversification.

22 The table shows the costs of a firm.

units of output	variable costs ($)	total costs ($)
10	20	80
20	50	110
30	80	140
40	110	170

What is the value of the firm's fixed costs?

A $20 **B** $30 **C** $60 **D** $80

© UCLES 2013

23 A government wishes to use a fiscal policy measure.

What could it do?

A increase the money in circulation

B put a quota on imports

C raise direct taxes

D raise interest rates

24 What is the most likely result of an increase in interest rates?

A a rise in investment

B a rise in borrowing

C a fall in consumer spending

D a fall in productivity

25 What is most likely to be the responsibility of a central government?

A the provision of immigration officials at an airport

B the provision of security cameras in a shopping centre

C the provision of security staff at a bank

D the provision of ticket inspectors on a train

26 In the first six months of 2011 a construction company, Morgan Sindall, saw its profits fall. Part of the reason was the increased competition from foreign competitors.

Which government policy is most likely to help such a company?

A increasing benefits to the unemployed

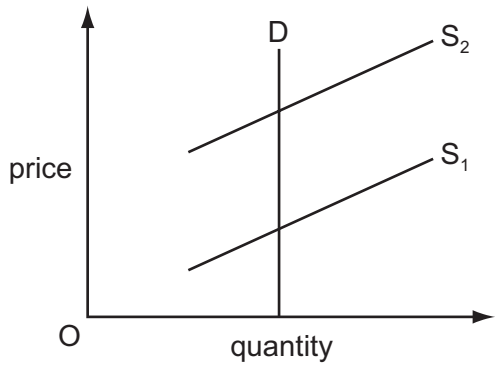
B increasing tax-free allowances on new building projects

C putting a quota on imported raw materials used by the company

D raising interest rates

© UCLES 2013

27 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

28 A government wants to reduce basic food prices without making the current account of the balance of payments worse.

What should it do?

A ban food exports

B put duties on food imports

C ration basic foods

D subsidise local food producers

29 Why is the Human Development Index (HDI) a better indicator of comparative living standards than Gross Domestic Product (GDP) per head?

A It includes international trade.

B It includes more measures of living standards.

C It is measured in money terms.

D It is more directly linked to economic growth.

© UCLES 2013

30 In developed economies there are changing patterns of employment.

What explains why fewer work in agriculture but food production has increased?

A increased incomes and more leisure

B mechanisation and the use of scientific methods

C movement to factory jobs in manufacturing

D shift to office work using computers

31 The table gives information about some economic indicators in a number of countries.

	inflation %	interest rates %	unemployment %
country W	1.4	3.4	10.2
country X	3.7	8.7	12.3
country Y	3.6	7.3	14.2
country Z	2.1	6.0	7.7

What may be concluded from this information?

A Countries with higher inflation have higher interest rates.

B Countries with higher interest rates have lower inflation.

C The country with the lowest inflation had the highest unemployment.

D The country with the lowest unemployment had the highest inflation.

32 A price index is used to compare retail prices from one year to another.

In 2001 the retail price of a litre of oil was $0.50.

Using 2001 as a base year (index 100), for which year was the oil price index 140?

	year	price of oil per litre ($)
A	2003	0.60
B	2005	0.70
C	2007	0.80
D	2009	0.90

© UCLES 2013

33 What is most likely to cause a reduction in the rate of inflation?

A an increase in consumer demand

B an increase in productivity

C an increase in the supply of money

D an increase in wage demands

34 In some developing countries the agricultural sector employs the majority of the working population. However, the countries cannot produce enough food themselves and still need food imports.

What would be the most likely cause of an improvement in the standard of living of those countries?

A a change in production techniques which replaces labour with machines

B a decrease in world food prices

C a fall in the country's foreign exchange rate

D a period of low rainfall

35 The table shows the percentage share of GDP held by the richest 20% and poorest 20% of the population in each country.

Which country had the greatest extremes of income and poverty?

	country	richest 20%	poorest 20%
A	Ghana	41.7%	8.4%
B	Nigeria	55.7%	4.4%
C	Senegal	48.2%	6.4%
D	South Africa	64.8%	2.9%

36 On 17 October 2006, the US population reached 300 million and was predicted to increase to 400 million by 2043.

Which change would mean that the US population moves in the opposite direction to that predicted?

A a change from net immigration to net emigration

B the birth rate falling more slowly than the death rate

C the death rate falling below the net immigration rate

D the infant mortality rate decreasing more rapidly than the increase in life expectancy

© UCLES 2013

37 What is most likely to be an indicator that a country is a developed economy rather than a developing economy?

A a dominant service sector

B a high birth rate

C a lack of capital-intensive production

D a low level of adult literacy

38 A country experienced a deficit on its trade in goods, income and current transfers. Overall, it had a surplus on the current account of its balance of payments.

What must this mean?

A It had a floating exchange rate.

B It had a surplus on its trade in services.

C It had a surplus on the government's budget.

D It was a developing country.

39 What is thought to be a benefit of global free trade?

A It increases the opportunity for domestic producers to specialise.

B It increases the protection for domestic producers.

C It reduces a country's reliance on other countries.

D It reduces the transport costs involved in trading.

40 The table gives the retail price of a product in four countries in 2012.

New Zealand	$20.00	(New Zealand dollars)
Pakistan	1500	Rupees
South Africa	125	Rand
United Kingdom	£10.00	

What is needed to make a clear comparison of the price in the four countries?

A direct tax rates

B exchange rates

C import tariff rates

D transport costs

© UCLES 2013

BLANK PAGE

Copyright Acknowledgements:

Question 26 © Business Section; The Daily Telegraph; Telegraph Media Group Ltd; 9 August 2011.
Question 35 © World Bank Social Indicatiors; The World Bank; 2002.

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

University of Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.

© UCLES 2013