Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

ECONOMICS **2281/11**

Paper 1 Multiple Choice **May/June 2015**

45 minutes

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

* 3 7 7 1 4 7 3 0 0 7 *

READ THESE INSTRUCTIONS FIRST

Write in soft pencil.
Do not use staples, paper clips, 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 **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 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.

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1 The following are four ways factors of production are used.

What is likely to require the greatest use of the factor *enterprise*?

A a carpenter making wooden articles in his leisure time for sale at a monthly market

B a corn farmer negotiating with other farmers to hire expensive machinery

C a food shop owner sometimes selling flowers in the shop

D a householder harvesting vegetables grown at home

2 To help reduce the price of oil, new supplies are needed. However, in 2013, objectors opposed attempts to explore new sites because of the environmental damage the exploration might cause.

How does this illustrate the basic economic problem?

A Oil is a limited resource.

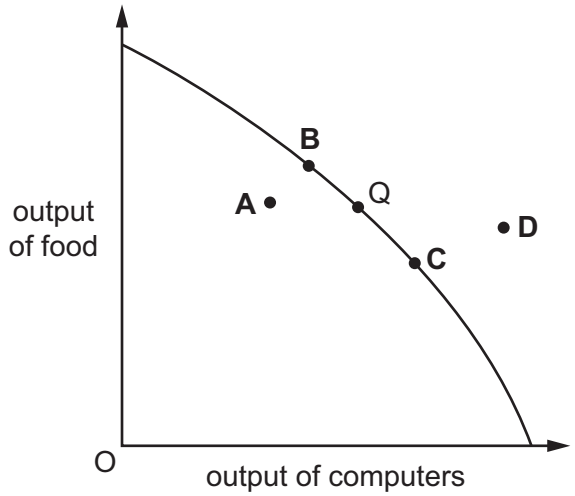
B Oil is expensive.

C The exploration involves demand and supply.

D There are external costs involved in production.

3 With a given level of resources, an economy that can produce food or computers is at point Q on its production possibility curve. Population growth means more resources need to be allocated to food production.

At which point in the short term will the economy be in the diagram?



4 A person makes sandwiches at home for five hours each day. She makes 20 sandwiches per hour, and she sells each sandwich for $2 each.

What is the opportunity cost if she takes a holiday on a working day?

A $2

B $40

C 20 sandwiches

D 100 sandwiches

5 What can be found in a mixed economy but **not** in a market economy?

A a national economic development plan

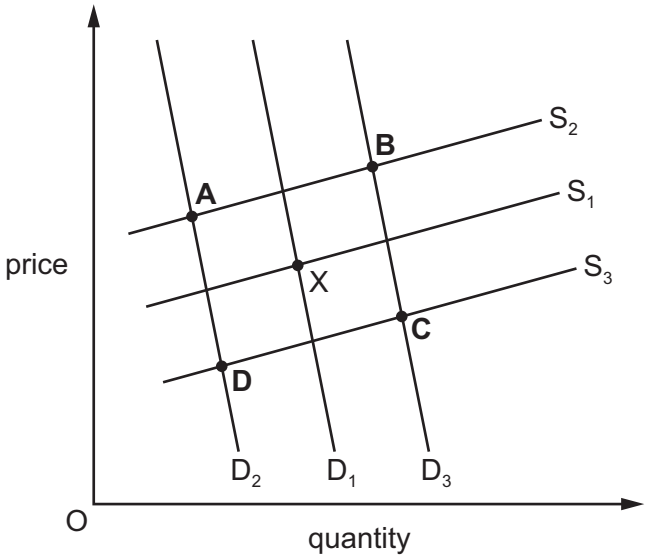
B an unequal distribution of income and wealth

C the operation of the price mechanism

D the private ownership of factors of production

6 Newspapers recently reported there had been a decrease in the demand for beef and that its price per kilogram had increased.

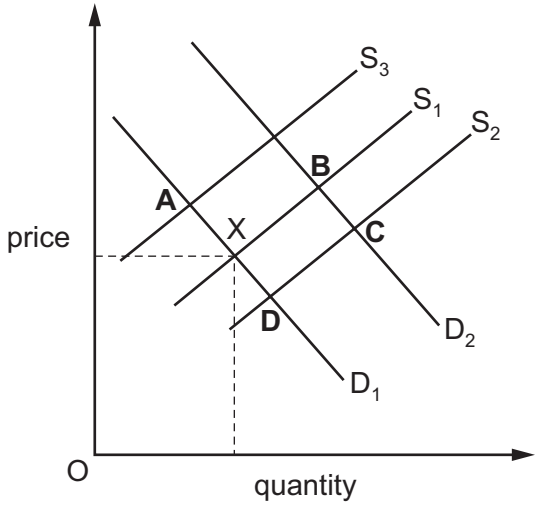
From the initial equilibrium point X, which point in the diagram illustrates the new market equilibrium?



7 The diagram shows the market for fresh fish in the Caribbean with equilibrium point X.

A new type of fishing boat increases production, which reduces costs.

Which point represents the new equilibrium?



8 A large supermarket applied to build on land which was in an area of natural beauty. The local government allowed the building, even though the natural beauty of the area would be lost, because many jobs would be created and much needed income would be brought to the local community.

Which economic ideas **cannot** be found in the above statement?

A external cost and private enterprise

B free market and the conservation of resources

C opportunity cost and improved standards of living

D public sector and external benefit

9 Cigarettes have been used as money in exceptional circumstances.

What is the most likely reason that they are **not** acceptable as money in normal circumstances?

A cigarettes lack durability

B cigarettes lack intrinsic value

C cigarettes lack portability

D cigarettes lack uniformity

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10 The table shows a country's trade union membership in millions between 2008 and 2011.

year	trade union members in the private sector (millions)	trade union members in the public sector (millions)
2008	8.4	3.6
2009	6.6	4.2
2010	5.1	6.0
2011	3.4	7.1

What can be concluded about the country's trade union membership in the period 2008 to 2011?

A Trade unions had least members in 2010.

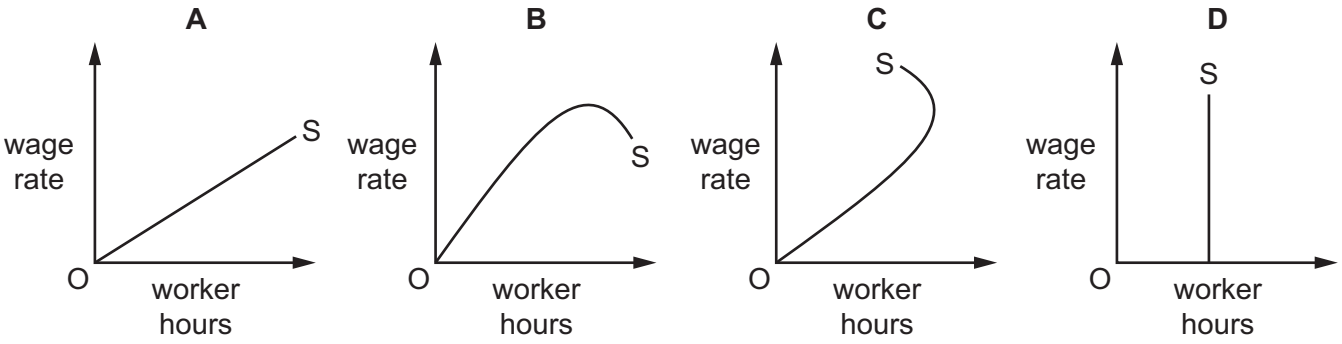
B Trade unions had most members in 2011.

C Trade union membership fell between 2008 and 2009.

D Trade union membership rose between 2009 and 2011.

11 A bus driver works longer hours if the wage rate increases. As his earnings increase there reaches a point when he prefers more leisure to work.

Which supply curve, S, represents this situation?



12 In 2013, a German company that manufactured medicines bought a UK company that ran a chain of pharmacies that sold medicines.

What term best describes this takeover?

A conglomerate

B horizontal

C vertical integration backwards

D vertical integration forwards

13 When is a firm considered more capital-intensive than another firm?

A when it has a lower ratio of workers to machines than the other firm

B when it has fewer workers than the other firm

C when it has higher variable costs than the other firm

D when it has more machines than the other firm

14 In 2009, Gulf Airlines, which was making a loss, stated it would reduce the number of new aircraft on order.

If it did this, which of its costs would be directly affected?

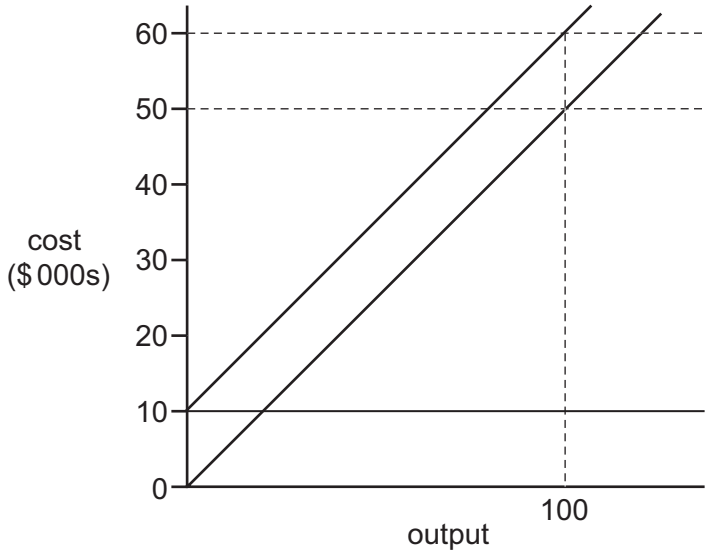
A fixed costs

B marginal costs

C opportunity costs

D variable costs

15 The diagram shows the costs of a firm.



What is the firm's total variable cost at an output of 100 units?

A $100 **B** $500 **C** $10 000 **D** $50 000

16 A government lowers the rate of interest.

Who is most likely to be disadvantaged by this policy?

A house buyers

B manufacturers

C retailers

D savers

17 Which is a supply-side policy that would increase output in the long-run?

A an increase in benefit payments

B an increase in places at training colleges

C an increase in the rate of income tax

D an increase in the rate of tax employers pay

18 Russia exports wheat. In 2010, a bad harvest led the Russian government to prevent the export of wheat, to ensure enough supplies were kept for domestic use.

What was the most likely outcome of the government's action?

A prices were fixed by the wheat producers

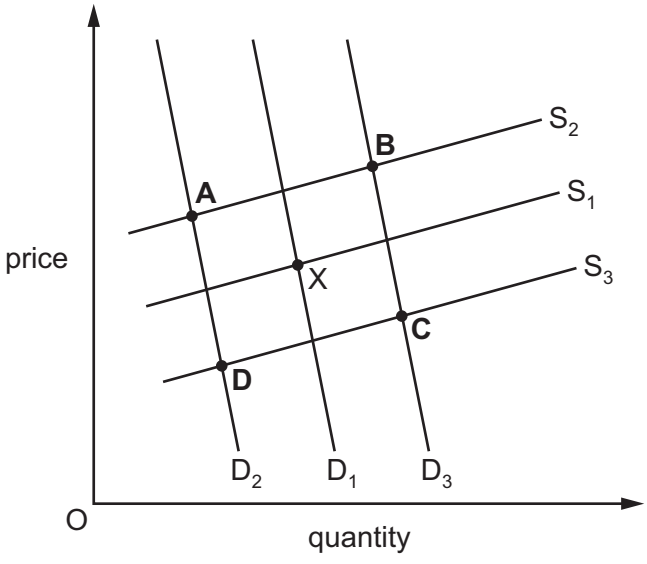
B the amount produced was determined by the government

C the price of wheat abroad fell

D there was a redistribution of domestic production

19 The government reduces the rate of income tax and increases the rate of tax on producers.

From the initial equilibrium point X, which letter indicates the new equilibrium point in the market?



20 What is most likely to cause economic growth?

A a better educated workforce

B a reduction in the right to own property

C decreased wages

D higher taxation

21 A worker earns $250 each week, which leaves a disposable income of $175.

What will affect the real value of the worker's $250 earned income?

A a change in government spending

B a change in interest rates

C a change in the price level

D a change in the tax rate

22 The table shows the unemployment rate in three developed economies in June 2013.

	%
United States	7.6
Sweden	8.2
France	10.9

What is the main cause of high rates of unemployment in developed economies in periods of recession?

A decreases in total demand

B movement of labour between countries

C reduced levels of technological change

D regional inequalities of wealth

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23 From 2012 to 2013, European economies experienced weak economic growth.

Based on the information on GDP, industrial production and unemployment in the table, which economy performed **worst**?

	Percentage change 2012-2013			
		GDP	industrial production	unemployment
A	UK	+1.0	–2.3	–0.1
B	Germany	+0.3	–1.1	0.0
C	Italy	–1.8	–4.2	+1.5
D	Spain	–1.7	–1.3	+1.3

24 What is **not** a reason why the average size of families is likely to be greater in developing countries than in developed countries?

A Children offer the prospect of security in old age.

B Government child care support is widely available.

C Means of birth control are less available and more expensive.

D Women are less likely to be part of the workforce.

25 The table shows the proportion of GDP produced by each sector of production in three fictitious countries.

	Farland (% of GDP)	Highland (% of GDP)	Lowland (% of GDP)
primary sector	30	10	35
secondary sector	20	60	25
tertiary sector	50	30	40

What can be concluded from the table?

A Farland is the least developed economy.

B Highland is the most developed economy.

C It is uncertain which is the most developed economy.

D Lowland is the least developed economy.

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26 In rural areas in developing countries, farmers grow food for their own consumption.

Why might this mean that the GDP is a weak measure of the standard of living in those countries?

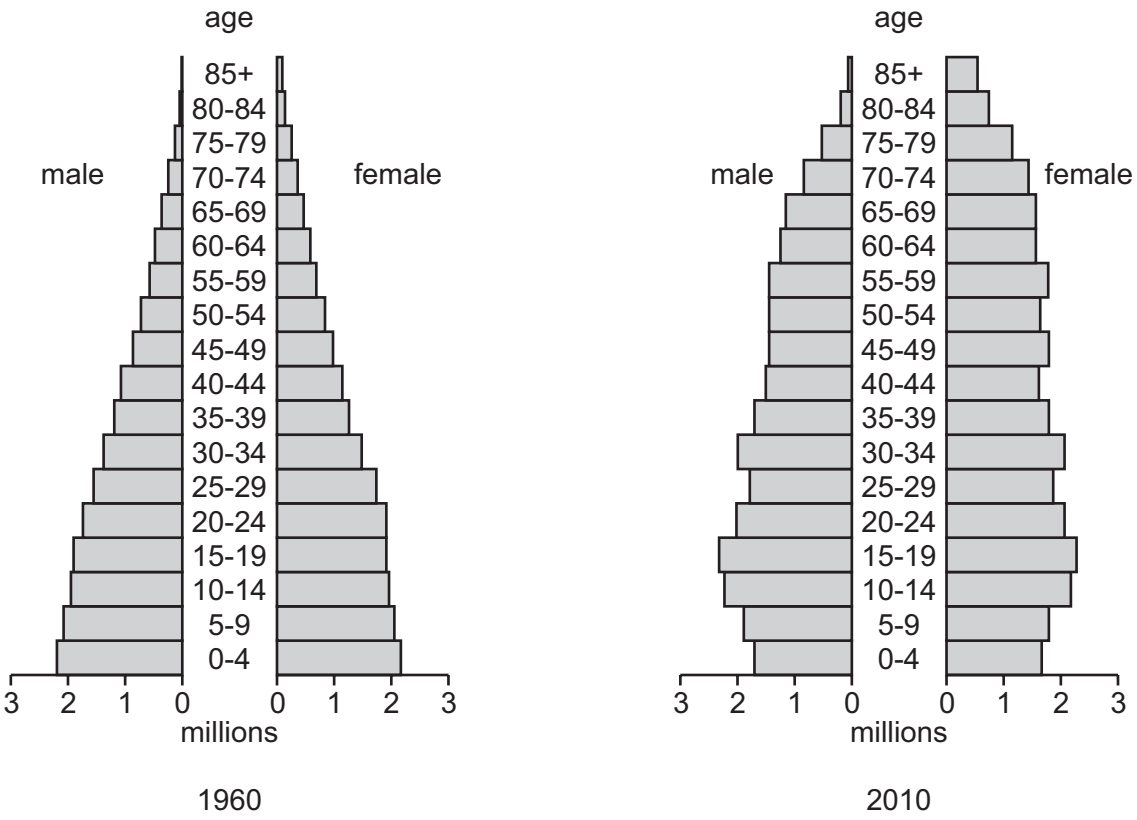
A The food grown is not exported.

B The GDP does not include agricultural production.

C The GDP only refers to the public sector.

D The value of the food is unknown.

27 The charts show the population structure of a country in 1960 and 2010.



During this period, how did birth and death rates change?

	birth rates	death rates
A	fell	fell
B	fell	no change
C	rose	fell
D	rose	no change

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28 What is an advantage of international specialisation?

A choice is limited

B countries become overdependent on each other

C resources are used more efficiently

D transport costs are decreased

29 Skin creams preventing sunburn made in the European Union (EU) are more effective than those made in the United States (US). US tourists stock up on the creams when visiting Europe. Such creams are banned from production in the US because of the chemicals in them. In 2013, negotiations began to remove this ban in order to allow production in the US.

How is this freer trade likely to affect manufacturers of skin creams in the US and the EU?

	manufacturers in the US	manufacturers in the EU
A	gain	gain
B	gain	lose
C	lose	gain
D	lose	lose

30 The table shows the trade in goods balance and the current account balance of the balance of payments for four countries during a year.

Which country had the largest surplus on its trade in services, assuming no other transfers or income flows?

	country	trade in goods balance ($ billion)	current account balance ($ billion)
A	Hong Kong	6.2	6.2
B	Indonesia	4.4	4.3
C	Mexico	7.8	7.6
D	Singapore	5.3	5.4

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