Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

ECONOMICS **2281/12**

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)

8431840839

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.

This document consists of **10** printed pages and **2** blank pages.

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1 What is the basic economic problem?

A finite resources and limited wants

B finite resources and unlimited wants

C infinite resources and limited wants

D infinite resources and unlimited wants

2 New oil reserves are discovered.

What has increased in supply?

A capital

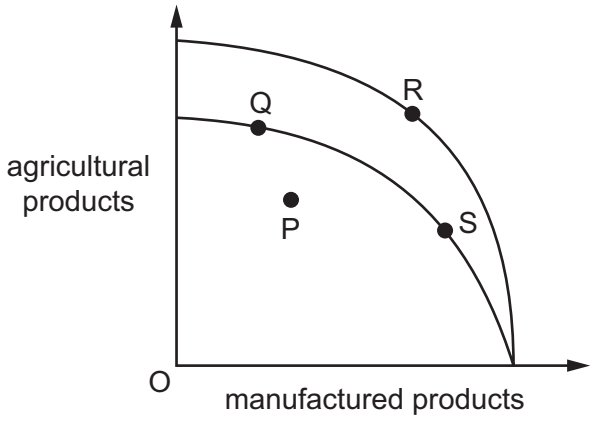
B enterprise

C labour

D land

3 The diagram shows production possibility curves (PPC) for a country that can produce agricultural products or manufactured products.

Its current PPC passes through points Q and S but the country is currently experiencing unemployment.



If there is now full employment at the same time as new agricultural techniques enable an increase in productivity, what would be the movement on the PPC diagram?

A P to R **B** P to S **C** Q to R **D** S to Q

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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 would **not** be an example of the working of a market system?

A a high price charged because of costly research to produce the good

B a high price charged for a well-known painting

C a low price charged because of economies of scale

D a low price charged for subsidised bus travel

6 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%

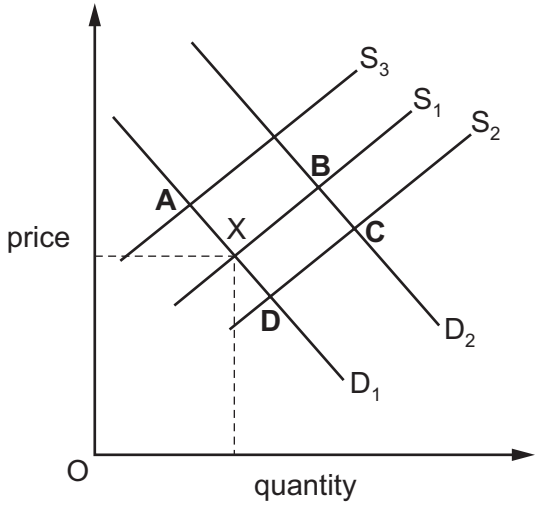
D a rise of 40%

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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 A businesswoman seeks a 10-year loan from a bank. She has listed her four most valuable possessions which could be offered to the bank in order to obtain the loan.

Which item would the bank be **least** likely to accept as security for the loan?

A a collection of gold coins, jewellery and antiques

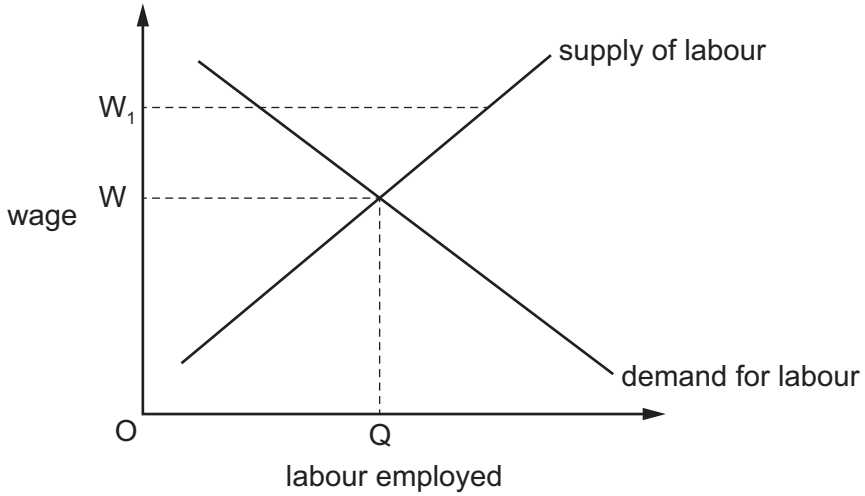
B a house in a desirable part of town

C a part ownership in a race horse

D a portfolio of government bonds

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10 A trade union and employers agree a minimum wage (W_1) which is above the market equilibrium wage (W) for that industry.



What is the effect of paying the minimum wage (W_1)?

A demand for workers will exceed the supply

B fewer workers will be employed

C some workers will continue to be paid at wage W

D workers will be less willing to work for the minimum wage

11 In choosing their occupation, people often take into account aspects of the job other than pay.

Which would **not** be a good match for the aspects of employment a worker is looking for?

	desired aspect	occupation
A	a wish for an outdoor lifestyle and to develop teamwork	army officer
B	a wish for foreign travel and to have responsibility	airline pilot
C	a wish for public respect and to undertake precise work	heart surgeon
D	a wish to work with the general public and investigate nature	marine biologist

12 What may exist in monopoly but **not** in perfect competition?

A barriers to entry

B identical products

C market price

D perfect knowledge

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13 What is **not** a reason for the decline in manufacturing industries in developed economies in recent years?

A growth of newly industrialised competitor countries

B invention of automated production methods

C rising costs of factor inputs in the steel industry

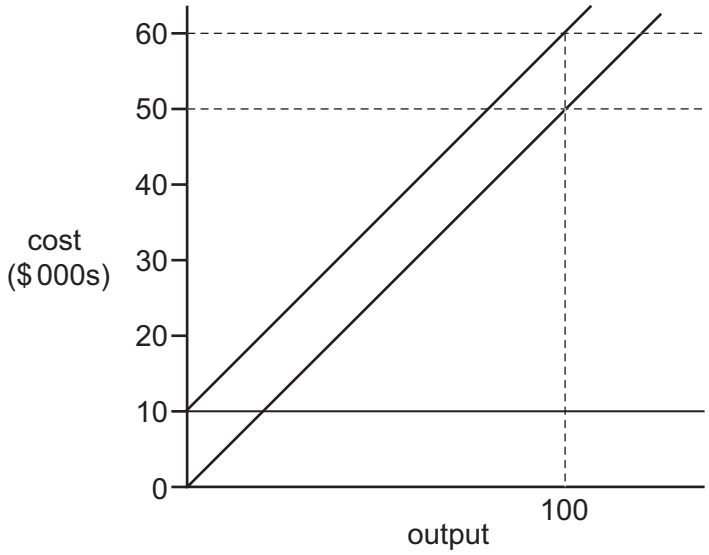
D considerable skill shortages as school-leavers prefer to work in the service sector

14 In 2013, Barclays Bank had two branches in a city. It decided to close them both, move to a different building and employ fewer hourly-paid staff.

What is likely to have happened to the bank's fixed and variable costs?

	fixed cost	variable cost
A	fall	fall
B	fall	rise
C	rise	fall
D	rise	rise

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 What is most likely to cause a **fall** in the rate of inflation?

A an increase in consumer spending

B an increase in import prices

C an increase in income tax

D an increase in wage rates

17 In recent years, governments have had to manage the effects of a world recession.

Which supply-side policy could have been used to stimulate economic growth?

A increases in income tax

B investment in skills training schemes

C payments of unemployment benefits

D reduction in interest rates

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 A government increases expenditure on infrastructure to stimulate an economy.

With which of the other government aims for an economy might this conflict?

A a decrease in income inequality

B a higher rate of economic growth

C a lower level of unemployment

D a steady price level

20 Who is most likely to benefit during a period of inflation?

A creditors (lenders)

B debtors (borrowers)

C fixed income earners

D holders of cash

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21 The Human Development Index (HDI) measures more than just average incomes.

What are two additional measures it includes?

A	life expectancy	years of schooling
B	percentage unemployed	number of hospitals
C	poverty rate	years of schooling
D	years of schooling	access to clean water

22 The table shows some economic indicators for four countries.

country	inflation	unemployment	GDP growth
P	3.0%	11.3%	3.5%
Q	4.2%	7.6%	1.0%
R	1.3%	12.2%	3.0%
S	3.5%	10.1%	2.3%

What can be concluded from the table?

A high GDP growth occurred with low unemployment

B high inflation occurred with high GDP growth

C low GDP growth occurred with low inflation

D low inflation occurred with high unemployment

23 When would an increase in aggregate demand be **least** likely to result in inflation in an economy?

A when it is the result of an increase in government expenditure

B when it is the result of an increase in expenditure on consumer goods

C when there are substantial unemployed resources in the economy

D when there is a substantial increase in expenditure on imports

24 In 2013, subsistence farming, which involved a large percentage of the population, was a significant activity in the Philippines and Indonesia.

What can be concluded about the Philippines and Indonesia from this information?

A a good use was being made of natural resources

B production was likely to involve skilled labour

C the GDP in these countries was likely to be underestimated

D there was no need to import food because the population was self-sufficient

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25 Which feature is **not** a typical characteristic of a developed country?

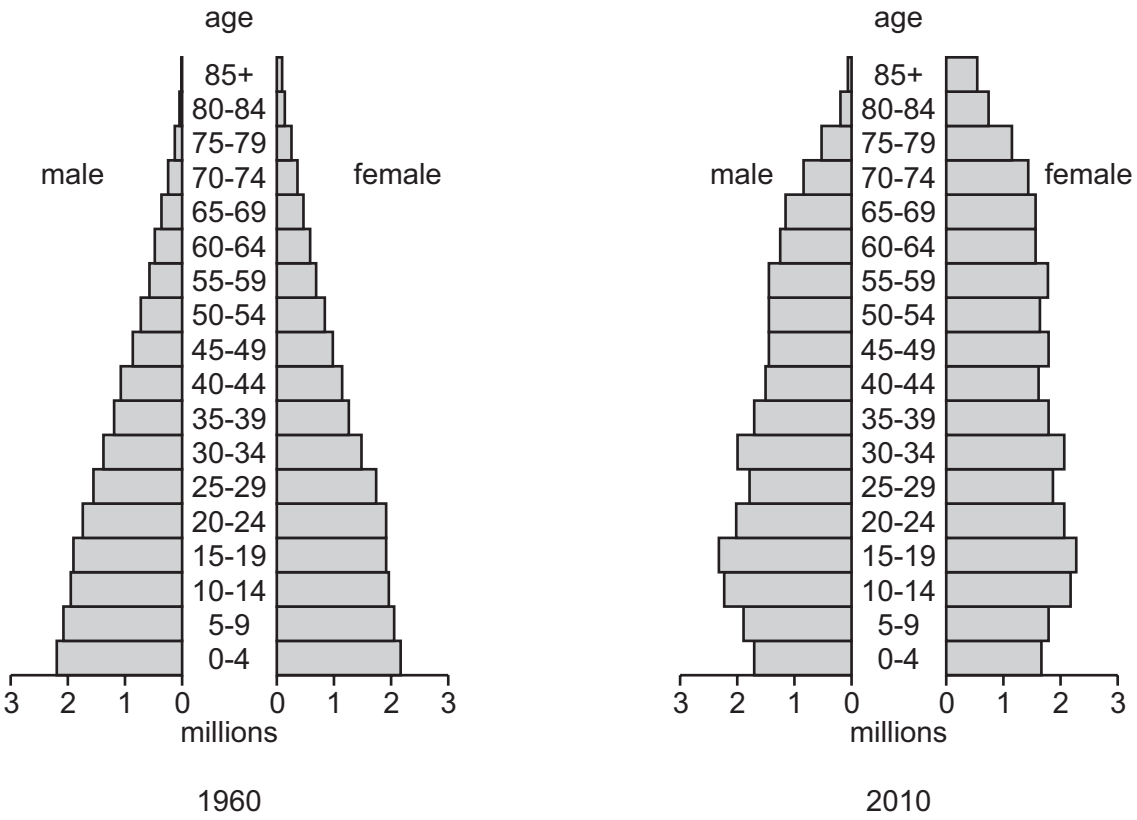
A a high death rate

B a high literacy rate

C a large elderly population

D a low number of doctors per head

26 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

27 Which combination of changes is most likely to result in a fall in living standards in a country?

	GDP	inflation	population
A	fall	fall	rise
B	fall	rise	rise
C	rise	fall	fall
D	rise	rise	fall

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 The table shows information on the trading position of four major economies in 2013.

Which country had the strongest trading position?

	country	current account balance (US $ billion)	% of GDP	currency unit per US $
A	China	+211.7	+1.9	6.12
B	Germany	+246.0	+6.4	0.75
C	Japan	+54.1	+1.0	79.4
D	UK	–96.7	–2.8	0.64

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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