Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

ECONOMICS **2281/11**

Paper 1 Multiple Choice **May/June 2018**

45 minutes

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

* 0 5 9 8 7 5 2 7 7 8 *

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 Norwegian government chose to spend the profits from oil on stocks, bonds and property. The possibility of improving domestic infrastructure, therefore, was not taken.

Which economic concept does this best illustrate?

A cost of production

B finite resources

C opportunity cost

D production possibility frontier

2 What would be classified by an economist as the factor of production known as land?

A a discovery of oil in the South China sea

B an oil rig bought by an oil company

C money held by the oil companies in their bank accounts

D the productivity of oil workers

3 What is the cause of the economic problem facing all countries?

A climate change and global warming

B significant quantities of unemployed resources

C uneven distribution of income and wealth

D unlimited wants in relation to limited resources

4 Which activity takes place in the tertiary sector?

A assembling computers

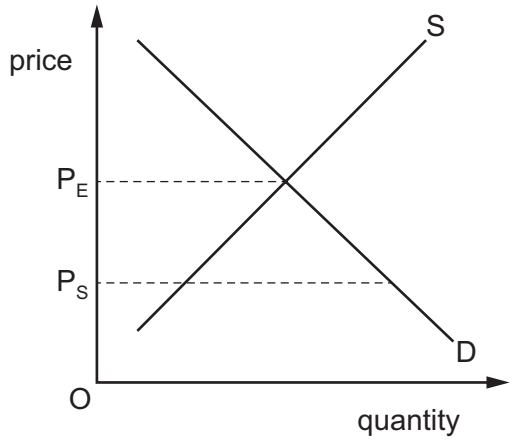
B giving legal advice

C harvesting grain

D making bread

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5 In the diagram, suppliers have set the price of a product at P_S. Economic theory predicts that the equilibrium price of the product will rise to P_E.



What is the reason for this movement in price?

A Demand for the product will increase.

B No more of the product can be supplied.

C Some consumers are willing to pay higher prices.

D Suppliers are facing rising costs.

6 A government approved the construction of a new railway line connecting major cities. It would be built by a private company but be funded partly through taxation. It would create many jobs. People living on the route worried about the harm to their environment.

Which concepts are directly involved in this statement?

A excess demand and public corporation

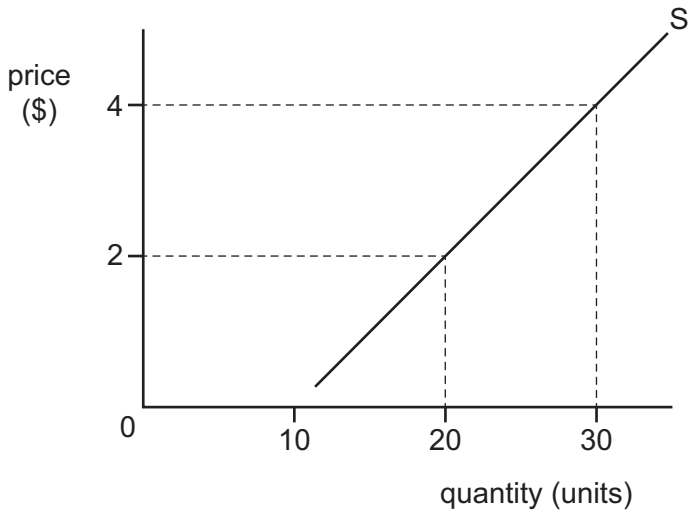
B government subsidies and perfect competition

C market system and income distribution

D private benefit and external cost

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7 The diagram shows the supply curve for a good.



What is the price elasticity of supply when the price rises from $2 to $4?

A 0.2 **B** 0.5 **C** 1 **D** 2

8 What is a function of a central bank?

A accepting deposits from the public

B determining tax rates

C implementing monetary policy

D lending to businesses

9 What is likely to lead to an increase in the wages of university lecturers?

A an increase in the fringe benefits provided to university lecturers

B an increase in the tuition fees paid by university students

C government policies reducing the length of the training for university lecturers

D increased demand from students to study at university

10 When is a trade union likely to have more power to increase its members' wages?

A when imports are increasing

B when labour supply is increasing

C when output is increasing

D when unemployment is increasing

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11 The table shows the percentage (%) of income saved by different age groups.

age (years)	15–29	30–39	40–49	50–64	65+
% of income saved	–30	–5	+15	+30	–10

What can be concluded from the table?

A Over the age range shown total savings equalled total dissavings.

B The 15–29 age group has the lowest level of income.

C The 50–64 age group saves the highest percentage of its income.

D The 65+ age group has a lower income than the 30–39 age group.

12 Which characteristic can exist both in monopoly and in perfect competition?

A freedom of entry

B many buyers

C many sellers

D perfectly elastic demand curve

13 An industry is experiencing diseconomies of scale.

What will be happening to long run average cost and total cost?

	long run average cost	total cost
A	decreasing	decreasing
B	decreasing	increasing
C	increasing	decreasing
D	increasing	increasing

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[Turn over

14 A firm that sells its product for $6 a unit has the following total costs.

output (units)	0	10	20	30
total costs ($)	40	100	120	150

Which statement is correct?

A Average cost is lowest when 10 units are produced.

B The firm does not make any profit when 20 units are sold.

C The firm has no fixed costs.

D Total variable costs fall continuously over these outputs.

15 Which statement about fixed costs is correct?

A They exist only in the long run.

B They include raw material and direct labour costs.

C They increase at the same rate as output.

D They must be paid even if there is no output.

16 What would a government reduce as part of an expansionary monetary policy to increase employment?

A government spending

B the money supply

C the rate of interest

D unemployment benefit

17 What is an aim of government policy?

A income tax

B interest rates

C stable prices

D unemployment

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18 The table shows the amount of tax to be paid at different weekly incomes.

weekly income ($)	100	150	200	250
weekly tax ($)	20	30	36	40

Which statement describes the system of income tax as income rises over this range?

A It is progressive throughout.

B It is proportional then becomes progressive.

C It is proportional then becomes regressive.

D It is regressive throughout.

19 Which situation involving the building industry is **most** likely to be investigated by a government body set up to control restrictive practices?

A a builder purchasing a plot of land for development of housing

B groups of suppliers of building materials agreeing to fix prices

C several builders bidding for the same contracts

D several builders using different sources of supply

20 An economy is experiencing two consecutive quarters of negative economic growth.

What is this economy experiencing?

A budget deficit

B inflation

C recession

D trade deficit

21 What is included in the calculation of a consumer prices index (CPI)?

A the price of a basket of goods and services

B the price of exports and the price of imports

C the value of the currency on international markets

D the wages of consumers

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22 There was a fall in investment spending by businesses in the third quarter of 2015.

What would be the likely result of this?

A an increase in economic growth

B an increase in exports

C an increase in incomes

D an increase in unemployment

23 The table shows units of output, value of output and number of people employed in an industry over three years.

	output (units, millions)	output value ($ millions)	number employed (000)
year 1	10	10	5
year 2	21	25	7
year 3	32	40	8

What can be concluded from the table?

A Inflation has increased.

B Productivity has increased.

C Profit has increased.

D Working population has increased.

24 What is found in a typical developed country?

A fast rate of economic growth

B high population growth

C limited use of technology

D significant tertiary employment

25 Which characteristic will show that a country has significant absolute poverty?

A A majority of the population will have less than average income.

B Basic living needs are not being met.

C Most people do not have mobile phones.

D There is a high number of people living in rural areas.

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26 The government of a developing country allows a multinational mining company to mine minerals in order to improve the standard of living of the local people.

Which action by the multinational company (MNC) will **not** lead to an improvement in the standard of living of the local people?

A building roads to assist transport

B exporting mineral ore

C providing skills training

D returning profits overseas

27 A country has decided that it wants to increase free trade with its trading partners.

Which measure would help it achieve this objective?

A a higher quota on imported cars

B a subsidy to domestic car producers

C an embargo on cars produced in other countries

D higher tariffs on imported goods

28 In 2012 the UK held the Olympic Games, which attracted a large number of visitors from foreign countries.

Which item of the UK's current account balance will have benefited directly from this event?

A export trade in goods

B export trade in services

C import trade in goods

D import trade in services

29 The Mexican currency (the peso) has fallen in value against the US dollar.

What will be the effect of this on the Mexican economy?

A a decrease in tariffs on imports

B a decrease in the price of exports

C a decrease in the price of imports

D a decrease in the volume of exports

30 The table shows the rice yield in four countries.

country	rice yield (kilos per hectare)
Japan	64
China	53
Bangladesh	20
Thailand	20

What may be concluded from this information?

A Bangladesh and Thailand produce the same amount of rice.

B Japan produces more than three times as much rice as Bangladesh.

C Japan produces the largest amount of rice per hectare.

D Japan produces the largest amount of rice per person employed.

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