Cambridge
O Level

**Cambridge Assessment International Education**
Cambridge Ordinary Level

**ECONOMICS** **2281/11**

Paper 1 Multiple Choice **May/June 2019**

**45 minutes**

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

*0593654605*

**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 **9** printed pages and **3** blank pages.


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**1** What would an economist regard as an example of the factor of production capital?

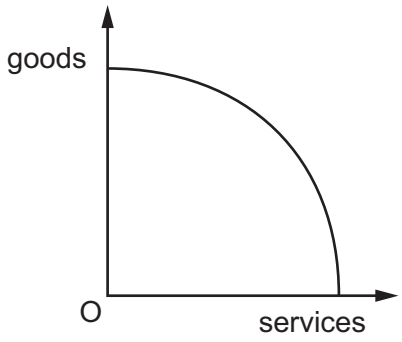
**A** an individual's purchase of stocks and shares

**B** borrowing by a firm to pay for electricity

**C** the building by a firm of a new factory

**D** total savings by individuals in a country

**2** The diagram shows a production possibility curve (PPC).




Why is the curve usually drawn like this?

**A** International free trade exists.

**B** Opportunity cost changes.

**C** Resources are unlimited in supply.

**D** Some resources will be unemployed.

**3** In recent years more golf courses, which use large quantities of water, have opened in China.

What may be the opportunity cost of this?

**A** cost of water

**B** loss of farmland

**C** sales of golf equipment

**D** wages of golf course staff

**4** Which situation indicates a mixed economy?

**A** Economic activity is controlled entirely by the private sector.

**B** Individual choices are unaffected by government actions.

**C** Services are provided by both private and public sectors.

**D** The government carries out all planning and decision making.

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**5** What causes market failure?

**A** government provision of services

**B** social costs equal private costs

**C** the existence of external benefits

**D** the existence of perfect competition

**6** A newspaper reported that 'The world market for coffee has returned to equilibrium'.

Which situation supports this statement?

**A** A sequence of poor harvests resulted in shortages.

**B** Decreased transport costs led to a surplus of supply.

**C** Farmers matched demand by planting more coffee bushes.

**D** The price of coffee was fixed between producers.

**7** The table shows the demand schedule for a good at different prices.

| price $ | quantity demanded |
|---|---|
| 8 | 200 |
| 10 | 160 |
| 12 | 120 |
| 14 | 60 |

The current market price for the good is $10.

Following a 20% increase in price, what will be the change in the quantity demanded?

**A** −60 **B** −40 **C** +120 **D** +200

**8** Carlos has been offered a new job with a large multinational company. He is undecided whether to accept the position.

What is a non-wage factor he might consider?

**A** bonus payments

**B** holiday entitlement

**C** overtime rate

**D** salary level

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**9** Unlike the UK and US, a significant proportion of the shares on the stock exchanges of China and Russia are of state-owned enterprises.

Which judgement about China and Russia can be made from this information?

**A** their distribution of income and wealth

**B** their level of development

**C** their stages of production

**D** their type of economic system

**10** What is the **most** important factor that affects how much a family saves?

**A** the income of the family

**B** the level of taxation

**C** the rate of inflation

**D** the reliability of banks

**11** The table shows the change in real incomes for a number of occupations between 1985 and 2015.

| occupation | change in real income % |
|---|---|
| doctors | 153 |
| lawyers | 114 |
| accountants | 60 |
| bricklayers | 37 |
| bus and coach drivers | 19 |
| fork-lift truck drivers | –5 |

What can be concluded from the table?

**A** All occupations were better off in 2015 than in 1985.

**B** Fork-lift truck drivers earned the lowest wages in 2015.

**C** Doctors have earned more than lawyers since 1985.

**D** Professionals received higher percentage increases in income than manual workers.

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**12** A large bakery buys a flour mill.

Which form of integration is this?

**A** conglomerate

**B** horizontal

**C** vertical backwards

**D** vertical forwards

**13** Why is the energy supply industry dominated by very large firms in many economies?

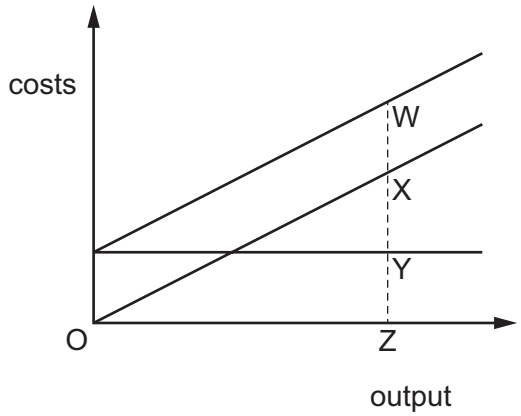
**A** Government controls prevent the exploitation of consumers.

**B** High fixed capital costs exist.

**C** Labour-intensive production techniques are used.

**D** Non-price advertising increases competition.

**14** The diagram shows the fixed costs, variable costs and total costs of a firm.




Which distance represents the firm's fixed costs?

**A** WX **B** WY **C** XY **D** XZ

**15** An entrepreneur buys a workshop for $200 000 to make plastic boxes. In the first year of operation he spends $70 000 on materials, employs ten production workers paid by the amount produced (piece rate) at a total cost of $80 000 and buys two delivery vehicles for $10 000 each.

What are his total variable costs?

**A** $100 000 **B** $150 000 **C** $220 000 **D** $370 000

**16** A government increases the rate of income tax in order to pay for extra transfer payments, including cash benefits to the poor.

What must occur as a result of this?

**A** It changes the distribution of income.

**B** It ensures the equality of incomes.

**C** It leads to more people paying income taxes.

**D** It reduces the level of unemployment.

**17** The standard rate for Value Added Tax (sales tax) is 20% in a country. Different consumers buying the same product have to pay the same amount of tax.

What kind of tax is this?

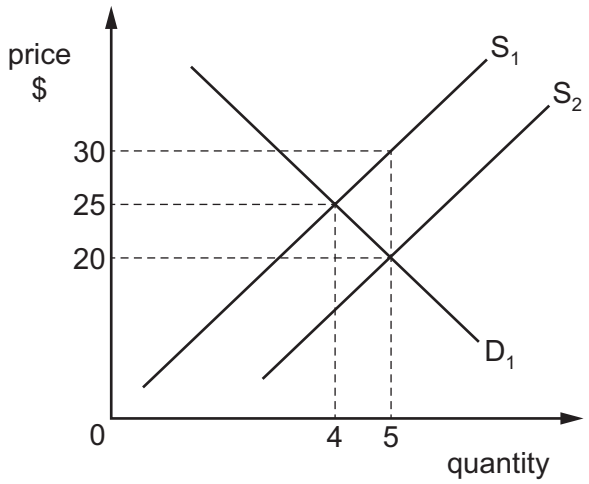
**A** direct

**B** progressive

**C** proportional

**D** regressive

**18** The diagram shows the demand curve $D_1$ and supply curve $S_1$ for a good. The government introduces a subsidy to encourage production.




What will be the total cost of the subsidy to the government?

**A** $40 **B** $50 **C** $100 **D** $150

**19** Which statement about interest rate changes is accurate?

**A** A fall in interest rates will always increase inflation.

**B** A rise in interest rates may increase cost-push inflation.

**C** A rise in interest rates will raise the level of investment in a country.

**D** Interest rate changes have no impact on the level of production.

**20** In Uganda, the rate of inflation fell from 5% in 2014 to 2% in 2015.

Which conclusion can be drawn from this information?

**A** Prices were higher in 2015 than in 2014.

**B** The cost of living fell between 2014 and 2015.

**C** The standard of living fell between 2014 and 2015.

**D** Ugandan citizens were better off in 2015 than 2014.

**21** What would **not** increase the Human Development Index (HDI) of a country?

**A** an increase in the level of car ownership

**B** an increase in life expectancy at birth

**C** a rise in the GDP per head

**D** a rise in the number of years of schooling

**22** A country is experiencing a period of full employment.

What is **most** likely to lead to an increase in demand-pull inflation?

**A** an increase in government spending

**B** an increase in imports

**C** an increase in income tax rates

**D** an increase in sales tax

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**23** The table shows the percentage change from 2015–2016 in gross domestic product (GDP) and consumer prices for selected countries.

Which country was suffering from economic recession and inflation?

| | country | GDP | consumer prices |
|---|---|---|---|
| **A** | Australia | +1.8 | +1.3 |
| **B** | Brazil | –2.9 | +8.3 |
| **C** | China | +6.7 | +2.0 |
| **D** | Japan | +1.1 | –0.2 |

**24** Which policy is **most** likely to reduce relative poverty?

**A** make income tax rates less progressive

**B** reduce benefit payments

**C** reduce the minimum wage

**D** reduce the rate of sales tax

**25** Given the following information, which country is most likely to have the highest standard of living?

| | | birth rate | death rate | life expectancy | infant mortality rate |
|---|---|---|---|---|---|
| **A** | Bangladesh | 27 | 10 | 58 | 93 |
| **B** | Bhutan | 36 | 14 | 53 | 107 |
| **C** | Botswana | 31 | 21 | 40 | 57 |
| **D** | Brunei | 25 | 5 | 72 | 22 |

**26** In a country the birth rate increased but the population decreased.

What could have happened to other factors to cause this?

**A** a fall in infant mortality but no change in the death rate

**B** a rise in net immigration but no change in the death rate

**C** no change in migration but the death rate rose

**D** the death rate fell with no change in migration

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**27** The US government decides to reduce the size of the quota on a good it buys from China.

What is likely to happen?

**A** The good will become cheaper in the US.

**B** The US balance of trade will worsen.

**C** The US government's revenue will decline.

**D** There will be less of the good imported into the US.

**28** What is the most accurate definition of a foreign exchange rate?

**A** a rate at which exports are exchanged for imports

**B** a rate determined by the demand and supply of the currency

**C** a value of a currency as fixed by the government

**D** a value of a currency expressed in terms of another currency

**29** In 2013, the European Union (EU) levied a 48% tariff on low-priced Chinese solar panels because the low price was the result of subsidies from the Chinese government.

Which argument for protectionism was the EU using?

**A** the anti-dumping argument

**B** the infant industry argument

**C** the strategic industry argument

**D** the sunset industry argument

**30** A large amount of the agricultural products in a country were damaged by floods.

What is likely to have happened to the price of agricultural products and the volume of imports of agricultural products?

| | price of products | volume of imports |
|---|---|---|
| **A** | fall | fall |
| **B** | fall | rise |
| **C** | rise | fall |
| **D** | rise | rise |

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