Cambridge
O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

ECONOMICS **2281/12**

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)

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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 A government wishes to increase agricultural output. It gives farmers the tools to irrigate the farmers' fields.

Which factors of production are provided by the farmers?

A capital and enterprise

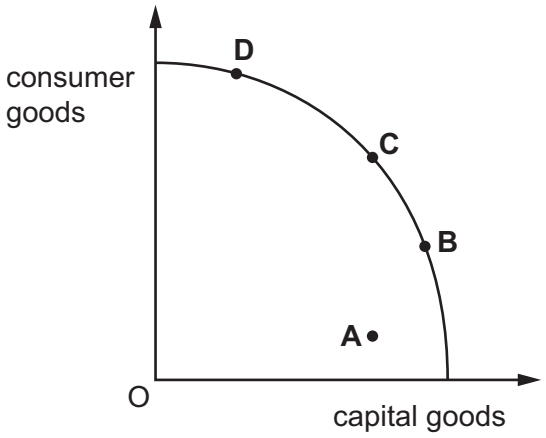
B enterprise and labour

C labour and land

D land and capital

2 The diagram shows a production possibility curve (PPC) for an economy that produces both capital goods and consumer goods.

At which point will the economy show the highest potential for sustained long run economic growth?



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 Cuba is implementing free market reforms.

What is a likely advantage of this?

A a wider variety of goods and services produced

B greater equality between the different groups in society

C increased provision of public goods

D less consumption of goods with external costs

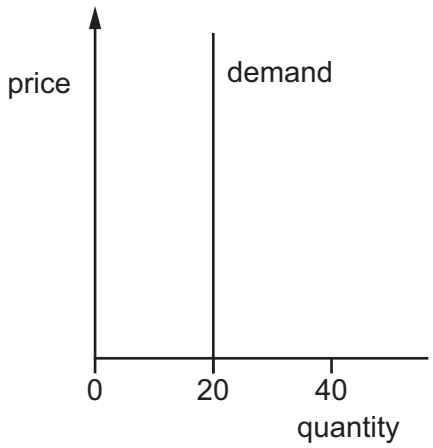
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5 An airline upgrades its services by providing bigger aircraft. The airline claims it will reduce catering waste and lower carbon (CO_2) emissions per passenger journey although fares may rise.

What is a private cost and an external benefit of this decision?

	private cost	external benefit
A	bigger aircraft	higher fares
B	higher fares	lower CO_2
C	less catering waste	bigger aircraft
D	lower CO_2	less catering waste

6 What can be concluded from the demand curve for the product shown in the diagram?



A Price increases will raise the producers' revenue.

B Producers are unable to respond to a price rise.

C The product is one with many substitutes.

D There are 20 people able to buy the product.

7 A mobile (cell) phone operator increases the price of making calls on its network. After the price increase, the revenue of the mobile phone operator falls by 10%.

What is the price elasticity of demand (PED) for the mobile operator's service?

A elastic

B inelastic

C perfectly elastic

D unit elastic

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8 Why does specialisation increase the productivity of employees?

A Average cost of production increases.

B Staff turnover is high.

C Time is saved by not moving between tasks.

D Workers lose interest in their job.

9 In recent years some central banks have reduced interest rates below 1% per year.

What is the purpose of this monetary policy?

A to discourage lending by the commercial banks

B to encourage investment to stimulate the economy

C to increase individual savings

D to reduce inflation

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

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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.

12 What is the main difference between capital-intensive production and labour-intensive production?

A the market structure of the production process

B the output that the production process creates

C the resources on which the production relies

D the size of the firm that uses the production process

13 What is the definition of diseconomies of scale?

A the decrease in average revenue as output increases

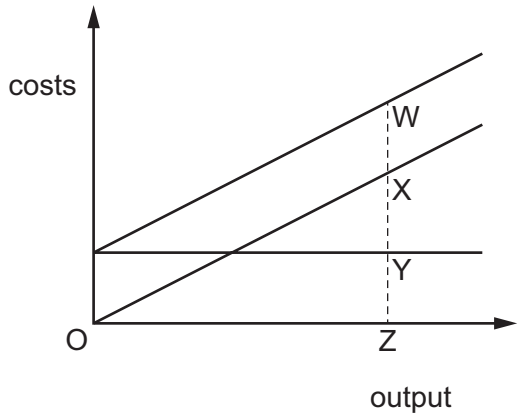
B the decrease in fixed cost as output increases

C the increase in average total costs as output increases

D the increase in total costs as output increases

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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 What is **most** likely to cause a rise in the rate of inflation in an economy?

A a fall in import prices

B a fall in wage rates

C a rise in the level of government spending

D a rise in the level of unemployment

17 The government increases taxation in order to fund an increase in spending on government training schemes.

Which policy combination would this involve?

A fiscal policy and monetary policy only

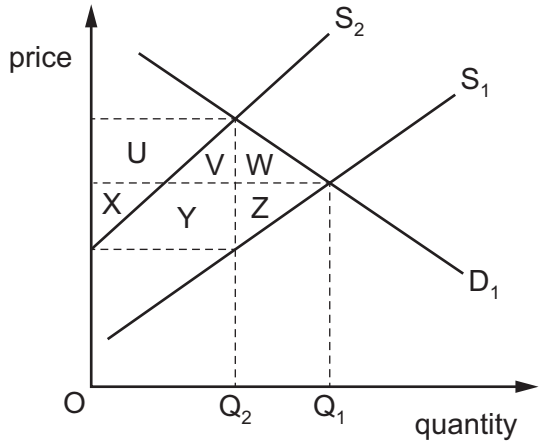
B fiscal policy and supply-side policy only

C monetary policy and supply-side policy only

D monetary policy, supply-side policy and fiscal policy

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18 The diagram shows the effect of the imposition of a tax on a product.



Which area represents the part of the tax paid by consumers of the product?

A U + V

B U + V + W

C U + V + X + Y

D U + X

19 Why might a government decide to subsidise a high-cost steel industry?

A if cheaper imports of steel are improving the balance of payments

B if economic growth is increasing due to the success of other industries

C if redundant steel workers can easily be retrained

D if unemployment in steel producing areas is increasing

20 The table shows possible sequences between the rate of interest and other economic variables.

Which sequence is the **most** likely?

	interest rate	borrowing	investment	GDP
A	higher	decrease	increase	increase
B	higher	increase	decrease	decrease
C	lower	decrease	decrease	decrease
D	lower	increase	increase	increase

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21 Why is the Human Development Index (HDI) a better measure of living standards than GDP per head?

A It takes into account changes in output.

B It takes into account changes in population.

C It takes into account health and education data.

D It takes into account inflation.

22 What describes frictional unemployment?

A unemployment caused by a general fall in economic activity

B unemployment caused by the time of year

C unemployment caused by wages being too high

D unemployment caused by workers searching for jobs

23 In January 2016 the rate of inflation in a country changed from 3% to 2%. In March 2016 the rate of inflation was 4%.

What happened to the price level in January and March?

	January	March
A	fell	fell
B	fell	rose
C	rose	fell
D	rose	rose

24 What usually happens as a developing country becomes more developed?

A The average age of the population falls.

B The fertility rate declines.

C The infant mortality rate increases.

D The primary sector expands.

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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

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 The world demand for oil is price-inelastic and oil is paid for in US dollars.

If the price of oil falls rapidly, how might it affect the exchange rate of the US dollar?

	market for US dollar	exchange rate for US dollar
A	greater demand for US$	value increases
B	greater supply of US$	value falls
C	less demand for US$	value falls
D	less supply of US$	value increases

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29 What is the **most** likely disadvantage of international specialisation?

A decreased levels of global output

B increased average production costs

C increased productivity levels

D overdependence on other economies

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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