Cambridge Assessment International Education

Cambridge O Level

ECONOMICS **2281/11**

Paper 1 Multiple Choice **May/June 2021**

45 minutes

You must answer on the multiple choice answer sheet.

You will need: Multiple choice answer sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

INSTRUCTIONS

- 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 multiple choice answer sheet.
- Follow the instructions on the multiple choice answer sheet.
- Write in soft pencil.
- Write your name, centre number and candidate number on the multiple choice answer sheet in the spaces provided unless this has been done for you.
- Do **not** use correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 30.
- Each correct answer will score one mark.
- Any rough working should be done on this question paper.

This document has **12** pages. Any blank pages are indicated.

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1 Which statement about the factors of production is correct?

A Capital is a financial resource and includes savings in banks.

B Enterprise is limited in supply and includes office workers.

C Labour is a human resource and includes pensioners and children.

D Land is a natural resource and includes trees and fish.

2 A builder spends one hour travelling to and from work. He works 40 hours per week for $200. He is given a choice to work 50 hours a week for an extra $75.

What would be the opportunity cost to the builder of working the extra hours?

A the ability to increase his purchasing power

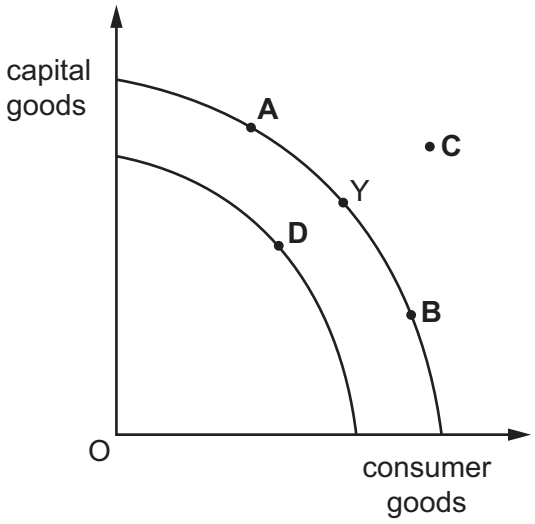
B the additional time travelling to and from work

C the increased hourly earnings of $7.50

D the ten hours of leisure time

3 A country's infrastructure was damaged by a natural disaster. Before the disaster, the country was producing at point Y on the production possibility curve (PPC).

Which point represents the country's production immediately after the disaster?



4 What is included in microeconomics?

A the calculation of national income and expenditure

B the effects of a change in exchange rates on the trade balance of an economy

C the effects of an increase in the price of a good or service

D the factors leading to demand-pull inflation

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5 What is an economist's definition of a market?

A a collection of informal retail outlets run by small firms

B a place where traders gather regularly for short periods

C a system that enables individuals and firms to buy and sell goods

D the existence of consumer demand for a good

6 What is an example of an external benefit from an individual cycling, rather than driving, to work?

A higher cost of building cycle lanes

B improved physical fitness to the individual from cycling

C lower cost of cycling compared with driving to work

D reduced congestion for other road users

7 A tailor has four customers for her range of suits. The table shows the yearly demand for the suits she makes.

demand for suits				
suit price ($)	customer R	customer S	customer T	customer U
800	4	1	2	2
900	4	0	1	2
1000	3	0	1	1
1100	2	0	0	1

Which price should be charged to maximise the tailor's yearly revenue?

A $800 **B** $900 **C** $1000 **D** $1100

8 In response to an increase in price from $5 per kilo to $6 per kilo, a farmer increased supply from 400 kilos to 500 kilos per week.

What is the price elasticity of supply?

A 0.8 **B** 0.9 **C** 1.2 **D** 1.25

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9 It is expected that consumers will use less paper money.

What is the **most** likely reason for this?

A Inflation reduces the value of paper money.

B More ways of making payments will be available.

C Other forms of money are more durable.

D Paper money will have less intrinsic value.

10 In low-income countries, fewer girls than boys become skilled design engineers.

What might explain this situation?

A Girls are only interested in low-wage jobs.

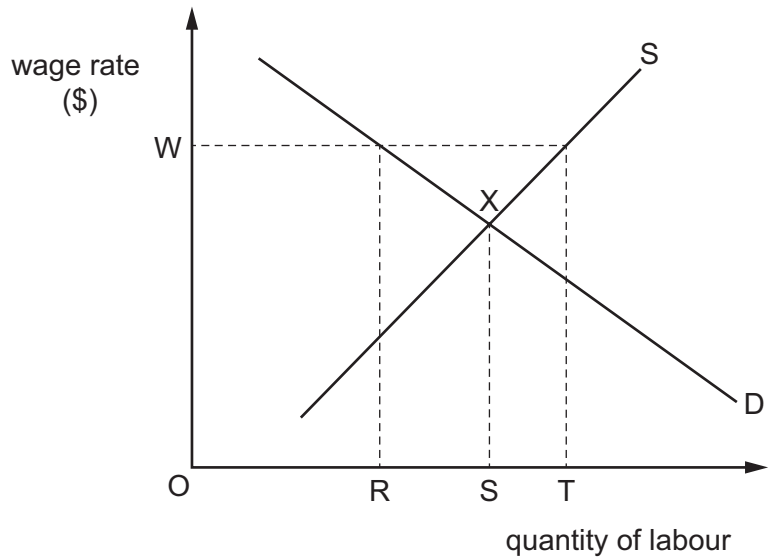
B Girls do not favour heavy manual work.

C Girls have fewer opportunities to complete higher education.

D It costs more for girls to be trained as design engineers.

11 The diagram shows the demand for and supply of labour in an industry. The original equilibrium is X.

A trade union then negotiates a wage rate of W.



What identifies the change in employment?

A OR **B** OT **C** RS **D** RT

12 A company mining cobalt, invests in machinery to replace some workers. Eventually diseconomies of scale occur.

What could cause this situation?

A As more cobalt is mined average costs increase.

B Fewer workers are needed to produce the required output.

C Output per hour increases as more machinery is used.

D Overhead costs are spread as output increases.

13 Why are many hairdressers able to operate as small businesses?

A high level of competition

B high scope for economies of scale

C long period of training required

D low start-up and running costs

14 Dimitry owns a firm that produces and sells bottles of lemonade. He only sells one size of bottle.

How would Dimitry calculate the total revenue of the firm?

A multiply the quantity sold by the cost per bottle

B multiply the quantity sold by the price per bottle

C multiply the quantity sold by the profit per bottle

D multiply the quantity sold by the tax per bottle

15 Which market is likely to be the most competitive?

	barriers to entry	number of sellers
A	high	few
B	high	many
C	low	few
D	low	many

16 An economy has a high rate of inflation. In response to this, its government increases income tax.

What is the **most** likely reason for this increase?

A to discourage the consumption of harmful goods

B to raise money for government spending

C to redistribute income

D to reduce total demand

17 Interest rates are sometimes raised to control inflation.

Why might this policy be effective?

A Consumers may save more.

B Government spending may increase.

C Investment may be encouraged.

D The exchange rate may fall.

18 A government's revenue grew 8% to $3.25 trillion. Its expenditure was reduced to $3.69 trillion.

What can be concluded from this?

	state of budget	government policy aim
A	deficit	increase deficit
B	deficit	reduce deficit
C	surplus	increase surplus
D	surplus	reduce surplus

19 A country's inflation rate, measured by the Consumer Prices Index (CPI), was 3% in year 1. Three years later it was 0.8%.

What can be concluded from this information?

A Prices are falling.

B The rate of price increases is falling.

C The real rate of interest is negative.

D There is increased purchasing power for those on fixed incomes.

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20 What will deflation **most** likely lead to?

A a fall in the real value of debts

B an increase in the exchange rate

C an increase in the rate of interest

D an increase in the real purchasing power of money

21 Economic growth can be defined as

A a reduction in a country's rate of inflation.

B an increase in a country's exports.

C an increase in a country's population.

D an increase in a country's productive capacity.

22 The table compares the distribution of employment in selected industries in two years.

industry	employment in millions	
	year 1	year 2
agriculture	4	3
mining	2	2
manufacturing	6	6
retailing	4	4
transport	4	5
total	20	20

How did the distribution of employment change between year 1 and year 2?

	primary sector	secondary sector
A	fell	rose
B	fell	unchanged
C	rose	fell
D	rose	unchanged

23 In a year, two changes occurred in a company.

Company directors' salaries increased by 15%.

Office workers' wages increased by 5%.

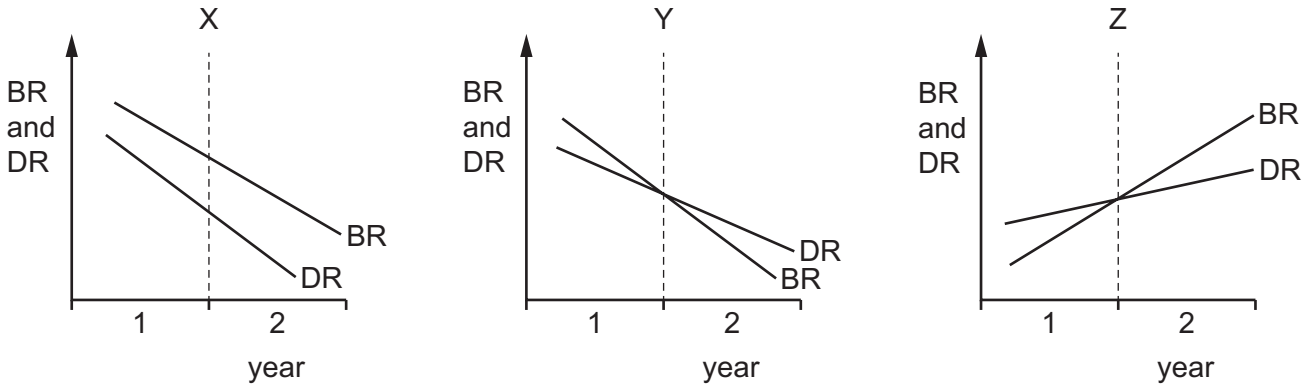
The rate of inflation was 3.4%.

What happened to real income?

	company directors' real income	office workers' real income
A	fell	fell
B	fell	rose
C	rose	fell
D	rose	rose

24 The diagrams show birth rate (BR) and death rate (DR) in three countries, X, Y and Z, in two years, 1 and 2.

There was no migration.



Where was there a rise in population in year 1 and a fall in population in year 2?

A X and Z **B** X only **C** Y and Z **D** Y only

25 The richest 60% of the population of a high-income economy received an increase in income. The income of the rest of the population did not change.

What happened to absolute and relative poverty?

	absolute poverty	relative poverty
A	increased	increased
B	increased	remained constant
C	remained constant	increased
D	remained constant	remained constant

26 Gross Domestic Product (GDP) is a better measure of comparative living standards when it is adjusted for the effects of

A exports and inflation.

B imports and exports.

C population change and exports.

D population change and inflation.

27 What is a disadvantage of increasing international specialisation?

A Consumers pay higher prices for goods and services reducing their welfare.

B Domestic firms may be uncompetitive leading to structural unemployment.

C Domestic firms may experience rising costs as they pay more for imports.

D Resources may be used less efficiently as domestic firms face less competition.

28 Which method of protection always reduces the supply of an imported good to zero?

A embargo

B quota

C subsidy

D tariff

29 A US car dealer agrees an import price of US$25 000 for a Japanese car at the current rate of exchange.

The US dollar then strengthens by 10% against the Japanese yen.

What will be the new import price paid for the Japanese car?

A US$20 000 **B** US$22 500 **C** US$25 000 **D** US$27 500

30 A country has a deficit on its current account of its balance of payments.

What could increase the size of its deficit?

A increased exports of its services

B increased international competitiveness of its goods

C increased numbers of visitors from abroad

D increased spending on its military bases abroad

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