Cambridge Assessment International Education

Cambridge O Level

ECONOMICS **2281/11**

Paper 1 Multiple Choice **May/June 2023**

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 What is the cause of scarcity in an economy?

A high employment levels

B high investment levels

C unlimited resources

D unlimited wants

2 What does a point on a production possibility curve for an economy represent?

A economic growth is falling

B inefficient use of resources available

C maximum output possible with current technology

D total demand for goods and services

3 What is **most** likely to increase enterprise as a factor of production in an economy?

A a decrease in government spending on education

B a decrease in regulation on firms

C an increase in emigration

D an increase in taxation on firms

4 Which economic activity would be classified as macroeconomics?

A households spend less on holidays abroad

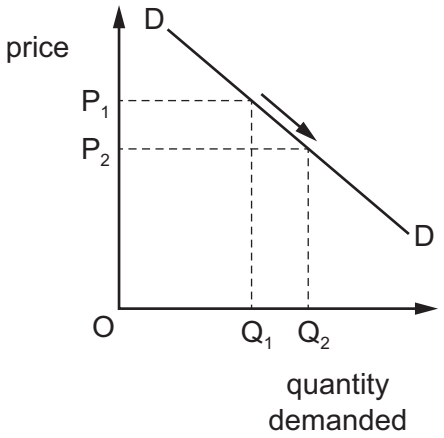
B income tax is increased by the government

C wages rise for construction workers

D world coffee price rises due to poor weather

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5 The diagram shows the effect of a decrease in price on the demand for a product.



What does the arrow on the diagram illustrate?

A contraction in demand

B decrease in demand

C extension in demand

D increase in demand

6 What is the correct formula to calculate price elasticity of supply?

A the percentage change in price divided by the change in quantity supplied

B the percentage change in price divided by the percentage change in quantity supplied

C the percentage change in quantity supplied divided by the change in price

D the percentage change in quantity supplied divided by the percentage change in price

7 What is the **most** likely cause of a product having a price elasticity of demand greater than one?

A The product has a close substitute.

B The product is a habit-forming good.

C The product is a necessity.

D The product requires only a small proportion of consumer income.

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8 For some illnesses, wearing a face mask has a benefit as it could prevent people from getting infected. Not all people are willing to wear face masks.

Based on the statement above, why would there be an inefficient allocation of face masks in the free market?

A Consumers in the free market only consider private costs and benefits.

B Face masks are non-rival and non-excludable.

C There is abuse of monopoly power by the producer of face masks.

D There is perfect information in the free market.

9 What would bring about a movement upwards along the supply curve for rice?

A a decrease in the productivity of farmworkers

B a decrease in the profitability of rice production

C an increase in consumers' incomes

D an increase in farmworkers' wages

10 A government decides to reduce air pollution in city centres by giving financial assistance to bus companies, reducing their costs of production and prices for passengers.

Which type of policy measure is this?

A a maximum price

B a minimum price

C a subsidy

D regulation

11 What would be **least** likely to act as a store of value during a period of rapid inflation?

A cash

B gold

C property

D shares

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12 A country's central bank raised the rate of interest from 1% to 4% per year.

How would this change have affected the amount saved and the cost of borrowing by individuals?

	amount saved	cost of borrowing
A	decreased	decreased
B	decreased	increased
C	increased	decreased
D	increased	increased

13 Which factor would **not** increase the bargaining strength of a trade union to raise wages?

A a rapidly growing economy

B high union membership in the industry

C legislation limiting strike action

D workers are in short supply

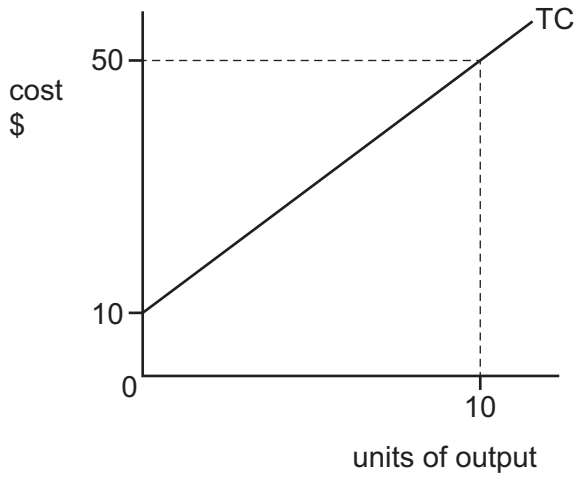
14 Which conditions are **most** likely to attract small firms to enter a market?

	the market for the product	fixed costs of entering the industry
A	local	high
B	local	low
C	national	high
D	national	low

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15 The diagram shows a firm's total cost (TC) curve.



What is the average variable cost if the firm produces 10 units of output?

A $4 **B** $5 **C** $40 **D** $50

16 The table shows the units of factors of production that a firm needs to employ for two different levels of output.

land	labour	capital	output
5	2	4	100
10	4	8	150

What is the firm experiencing?

A constant returns to scale

B diseconomies of scale

C external diseconomies of scale

D external economies of scale

17 What is an example of a government macroeconomic aim?

A a minimum of 10 years of schooling

B a sales tax of 10% on consumer goods

C a target rate of 2% inflation

D increasing pay for nurses

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18 Government policy measures can affect economic activity in a country.

Which pair of monetary policy measures would be likely to increase employment?

A depreciate foreign exchange rates and increase education spending

B increase money supply and reduce interest rates

C provide subsidies and grants and lower sales tax

D reduce income tax and improve infrastructure

19 What would be **most** likely to encourage saving?

A a rise in the exchange rate

B a rise in the goods and services tax rate

C a rise in the income tax rate

D a rise in the interest rate

20 The government of a country operating at full employment increases its spending on education and training.

How does this affect the likelihood of achieving low inflation in the short run and the long run?

	short run	long run
A	less likely	less likely
B	less likely	more likely
C	more likely	less likely
D	more likely	more likely

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21 A government has introduced a tax on a necessity. Producers have passed on a large proportion of this tax to consumers in the form of higher prices.

Which row is correct?

	type of tax	price elasticity of demand
A	direct	price elastic
B	direct	price inelastic
C	indirect	price elastic
D	indirect	price inelastic

22 What is **most** likely to lead to an increase in structural unemployment in a country?

A The country is experiencing a period of negative economic growth.

B The country is experiencing a period of positive economic growth.

C The country is moving from producing primary sector goods to secondary sector goods.

D The country is moving towards more flexible labour markets.

23 Which citizens are **most** likely to benefit in a period of rapid inflation?

A citizens who are receiving fixed state benefits

B citizens who earn fixed incomes

C citizens who have lent money at a fixed rate of interest

D citizens who have borrowed money at a fixed rate of interest

24 Which statement is correct about the Human Development Index (HDI) and real GDP?

A HDI includes exports and imports while real GDP does not.

B HDI includes life expectancy and years of schooling while real GDP does not.

C HDI includes the level of output while real GDP does not.

D HDI includes the level of unemployment in the population while real GDP does not.

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25 Other things being equal, what will cause a population both to increase and to age?

A a fall in the birth rate

B a fall in the death rate

C a rise in both the birth rate and the death rate

D a rise in the death rate and a fall in the birth rate

26 Which change would be unlikely to be found in a country as it develops?

A an increase in average incomes and a decrease in unemployment

B an increase in manufacturing production and an increase in shipping services

C an increase in subsistence farming and a decrease in financial services

D an increase in tourism and an increase in the export of agricultural products

27 It is cheaper for developed economies to buy some cereals from developing economies than to produce them domestically.

What might reduce international trade in cereals?

A Cereals become less popular with the population of developing economies.

B Developed economies place an embargo on cereal imports to prevent disease.

C Governments tax cereal production in developed economies.

D Producers of cereals in developing economies are subsidised.

28 A country imposes a quota on imported cars.

What is the **most** likely outcome of this action?

A a decrease in the domestic output of cars

B a decrease in the domestic price of cars

C an increase in the tax revenue from car imports

D an increase in the total revenue of domestic car producers

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29 An Argentine product initially sells in the US for $50 when the exchange rate between the two countries is 5 pesos to 1 dollar.

The exchange rate changes to 10 pesos to 1 dollar and the price of the product remains unchanged in Argentina.

What will be the new price of the product in the US?

A $5 **B** $25 **C** $100 **D** $500

30 Which policy measure is **most** likely to reduce the current account deficit of the balance of payments of an economy?

A decrease the level of subsidies to domestic producers

B increase infrastructure spending to increase domestic productivity

C increase interest rates

D remove import tariffs

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