UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

ECONOMICS **2281/13**

Paper 1 Multiple Choice **October/November 2013**

1 hour

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, highlighters, 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 **forty** 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 **12** printed pages.

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1 A generating station was built to supply electricity to a rural village in Africa.

What was the opportunity cost to the local economy?

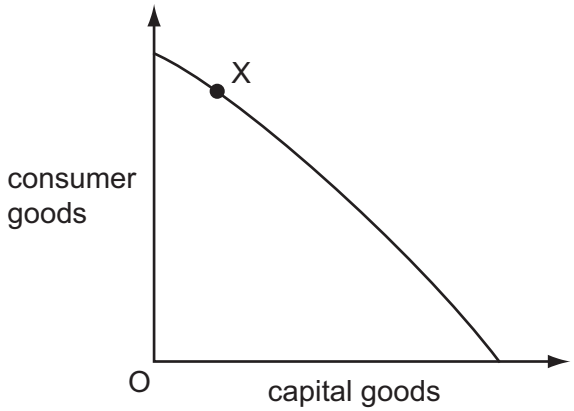
A the charge the villagers had to pay for the electricity

B the cost of the building materials

C the school that was not built as a result

D the wages of the workers

2 An economy produces different types of goods using its limited resources. This can be illustrated by a production possibility curve.



What does point X on the production possibility curve show?

A All resources are used for the production of consumer goods.

B More resources are allocated to producing capital goods than consumer goods.

C Resources are allocated to produce a mixture of consumer and capital goods.

D Total resources are not being fully utilised for production of these goods.

3 In a region of high unemployment, a manufacturer applied for a loan from the government so that the number of machines in an existing factory could be increased. It was hoped this would also enable more workers to be employed.

Which factors of production does this decision involve?

A labour and capital only

B labour, capital and enterprise only

C land, labour and capital only

D land, labour, capital and enterprise

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4 Some resources in a market economy are switched from producing chocolate bars to producing ice cream.

What could explain this?

A an increase in the demand for ice cream and a decrease in the demand for chocolate bars

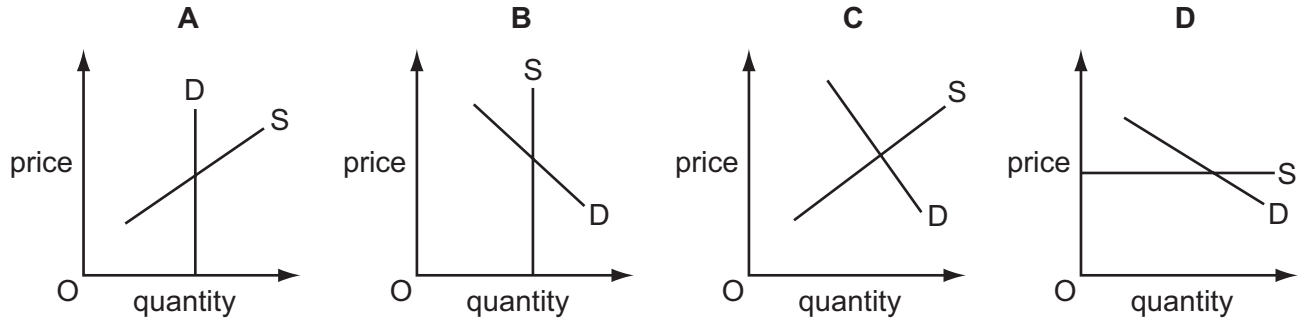
B an increase in the profits from chocolate bars and a decrease in the profits from ice cream

C an increase in the subsidy given to chocolate bar producers and a decrease in the subsidy given to ice cream producers

D an increase in the tax on ice cream and a decrease in the tax on chocolate bars

5 The diagrams show different conditions of demand and supply for a product.

In which diagram would market price remain unchanged if consumers' incomes fell?



6 Supermarkets sell petrol (gas) outside their stores. They reduce the price of petrol below other suppliers to attract more customers to buy goods in the store when they buy more petrol.

If this were successful, how might it be shown on demand and supply diagrams?

	demand and supply diagram for petrol	demand and supply diagram for the store's goods
A	shift of the demand curve to the left	shift of the supply curve to the left
B	shift of the demand curve to the right	shift of the demand curve to the left
C	shift of the supply curve to the left	shift of the supply curve to the right
D	shift of the supply curve to the right	shift of the demand curve to the right

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7 Many people are life-long, devoted fans of the Los Angeles Lakers basketball team in the United States. The team's stadium can seat 19 000 spectators and tickets are always sold out.

What does this suggest about the price elasticity of demand and the price elasticity of supply of tickets to watch the Lakers play?

	price elasticity of demand	price elasticity of supply
A	highly elastic	perfectly elastic
B	highly elastic	perfectly inelastic
C	highly inelastic	perfectly elastic
D	highly inelastic	perfectly inelastic

8 Which policy might a government adopt to reduce the external cost of urban traffic congestion?

A improving public transport

B reducing the tax on petrol

C subsidising car production

D taxing bus production

9 Which will encourage domestic producers to grow more maize?

A granting subsidies to maize producers

B increasing the sales tax on maize

C removing guaranteed minimum prices for maize

D removing quotas on imported maize

10 What is an example of market failure?

A a firm forced to close because of fierce competition

B a firm polluting rivers with waste chemicals

C a high price for an essential product

D a shortage of an agricultural crop

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11 What will be the most likely effect of a fall in interest rates on saving and borrowing?

	saving	borrowing
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

12 A merchant travels abroad for a few days to buy samples of low-value goods from a range of manufacturers.

Which property of money would be **least** necessary for this to take place smoothly?

A acceptability

B divisibility

C durability

D portability

13 When will a trade union find it easier to achieve higher wages for its members?

A when consumers demand more of the product made

B when the company has a decrease in profits

C when the cost of raw materials increases

D when unemployment increases

14 What might be a direct benefit to the individual worker of a specialised job?

A Specialisation enables a better quality product to be produced.

B Specialisation enables the firm to introduce more machinery.

C Specialisation enables the worker to become more skilled.

D Specialisation makes better use of resources.

15 Some lawyers charge very high rates per hour for their services.

What best explains this?

A The lawyers are very skilled.

B The lawyers work long hours.

C The lawyers work part-time and need a high hourly rate.

D The law profession is a popular career.

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16 The table shows the average monthly wage in Bahraini Dinars (BHD) for different groups of workers in Bahrain in 2011.

	private sector	public sector
average monthly wage (BHD)	291	952
Bahraini citizen monthly wage (BHD)	589	910
non-Bahraini citizen monthly wage (BHD)	214	1208

Which statement is most likely to be consistent with these statistics?

A Bahraini citizens are more productive than non-Bahraini citizens in the public sector.

B The demand for Bahraini citizens is greater in the private sector than the public sector.

C The public sector employs better educated workers than the private sector in Bahrain.

D There is a greater supply of non-Bahraini citizens in the public sector than the private sector.

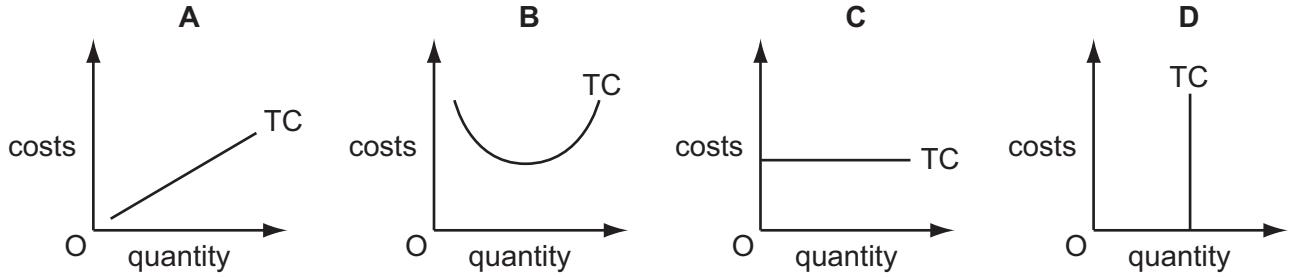
17 When a firm produces 500 units its total variable cost is $1000. Its total fixed cost is $1500.

What is the average cost of 500 units?

A $2 **B** $3 **C** $5 **D** $2500

18 The diagrams represent total cost curves (TC) of four firms in the short run.

Which firm has only fixed costs?



19 39 of the 42 largest Chinese firms are described as state-owned enterprises.

What form of organisation will these enterprises have?

A co-operative

B partnership

C public company

D public corporation

20 What is an external economy of scale for a firm?

A agreeing to produce large quantities exclusively for a major retailer

B bulk buying of raw materials

C obtaining discount rates from suppliers

D sharing research from other firms

21 A butcher has achieved backward vertical integration.

What could have happened?

A The butcher bought a cattle farm.

B The butcher employed more workers.

C The butcher merged with another butcher.

D The butcher sold cheese and eggs as well as meat.

22 In 2011, the UK-based Rio Tinto, the world's second largest mining company, decided to bid for Australian Coal and Allied Industries, another mining company.

Which economic concepts could be involved in this decision?

A amalgamation and external economies

B international finance and forward vertical integration

C monopoly power and horizontal integration

D multinational company and a more competitive market

23 What might a government do if it wishes to increase the rate of economic growth in an economy?

A agree a major contract for increased spending by the ministry of defence

B increase the interest rates when house buyers take out a loan

C increase the rate of income tax for average income earners

D raise the sales tax (GST or VAT) on children's clothes and books

24 Which aim of government policy is most likely to be achieved by an increase in interest rates?

A economic growth

B greater equality of income

C full employment

D price stability

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25 Why might a government encourage a monopoly?

A It can have high average costs.

B It can compete against foreign firms.

C It can prevent innovation.

D It can make excessive profits.

26 To raise economic growth, a government reduces the rate of interest, lowers the exchange rate, cuts sales tax and increases the national minimum wage.

Which change is a fiscal policy measure?

A the cut in sales tax

B the increase in the national minimum wage

C the lowering of the country's exchange rate

D the reduction in the rate of interest

27 A government wishes to raise the general standard of living in its country.

In the short run, which policy would be the most likely to achieve this aim?

A preventing the merger of two companies into a monopoly

B raising taxation to repay government debts

C reducing the rate of income tax while maintaining the services it provides

D spending more on roads in rural areas rather than in city centres

28 Government advisers have suggested the following policies to reduce youth unemployment.

Which would **not** increase public expenditure?

A a cut in the minimum wage paid to young people

B a rise in the school-leaving age

C a subsidy to employers to recruit young people

D national military service for all

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29 An economy is said to have a high economic growth rate.

What is most likely to be found when this occurs?

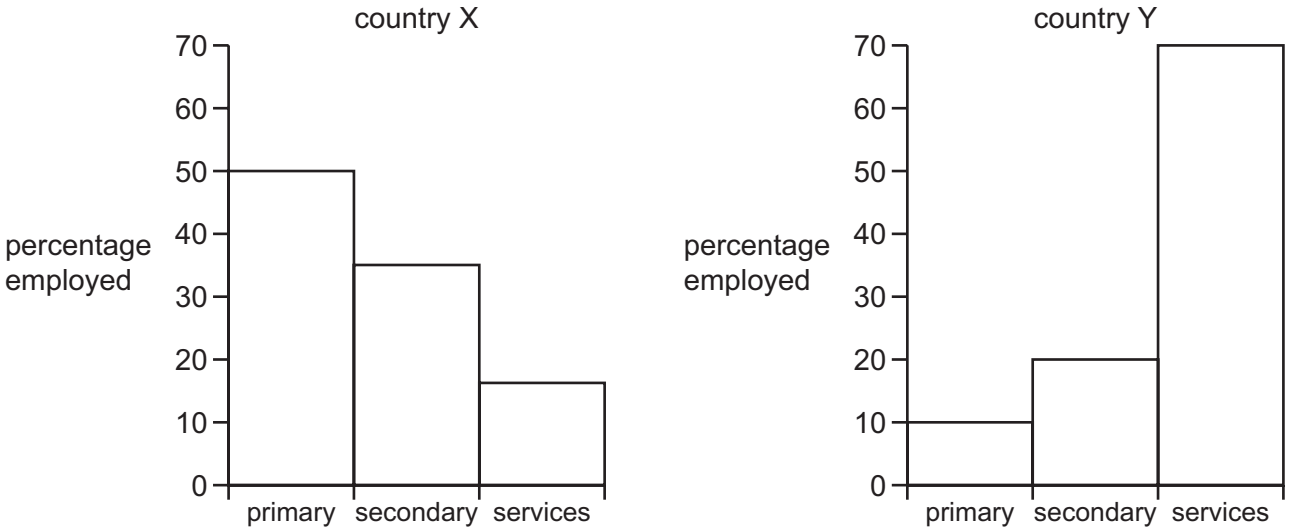
A a decrease in inflation and a budget deficit

B a decrease in the exchange rate and a fall in savings

C an increase in GDP and low unemployment

D an increase in inflation and a reduction in investment

30 The diagram shows percentage employment in different sectors in two countries.



Which statement is correct when comparing country X and country Y?

A Country X produces more primary output than country Y.

B Country X employs more workers in secondary industry than country Y.

C Country Y produces more secondary output than country X.

D Country Y is more developed than country X.

31 Low income countries make up 34% of the total world population but account for just 2.4% of the value of total world exports.

What is the likely reason for this low figure?

A High income countries have no demand for low income countries' exports.

B Low income countries export relatively cheap primary products.

C Low income countries' terms of trade are very high.

D Modern technology has made low income countries self-sufficient.

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32 Which cause of inflation is most likely to result in an increase in unemployment?

A an increase in consumer expenditure

B an increase in exports

C an increase in the costs of production

D an increase in the money supply

33 What is a result rather than a cause of inflation?

A a fall in purchasing power of those on fixed incomes

B easier credit facilities to purchase consumer goods

C increases in costs of oil supplies worldwide

D increases in international competitiveness

34 Official statistics in 2010 showed South Africa had a very high unemployment rate at around 25%, yet wages were still double those in Brazil.

What might be a reason for South Africa's high wages in a time of unemployment compared with Brazil?

A a skilled workforce in Brazil

B high levels of savings in South Africa

C increased use of labour-intensive production in Brazil

D strong trade unions in South Africa

35 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 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

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36 Which changes usually result when a country develops and is able to provide free health care and good living conditions?

	birth rate	death rate	worker productivity
A	falls	falls	rises
B	falls	rises	falls
C	rises	falls	falls
D	rises	rises	rises

37 What is **not** likely to be used to measure the difference in the standard of living between countries?

A Gross Domestic Product per head

B Human Development Index

C the rate of poverty

D the rate of interest

38 How does a tariff differ from a quota?

A A tariff is on exports, a quota is on imports.

B A tariff is on the quantity of an import, a quota is on the price of an import.

C A tariff raises government revenue, a quota raises no government revenue.

D A tariff raises the price at which imports sell, a quota does not.

39 In February 2010, the Vietnamese Central Bank devalued the country's currency.

What effect would this devaluation have on the price of Vietnamese exports and imports?

	price of Vietnamese exports	price of Vietnamese imports
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

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40 Which of the following is an export of Jamaica?

A a loan to Jamaica by the International Monetary Fund

B Jamaican holidays taken by American tourists

C dividends paid by a company in Jamaica to its American shareholders

D sales of Japanese cars in Jamaica

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