Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

ECONOMICS **2281/12**

Paper 1 Multiple Choice **October/November 2014**

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, 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 **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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UNIVERSITY of CAMBRIDGE
International Examinations

[Turn over

1 Economics textbooks often start by identifying the existence of the basic economic problem.

What is it that makes this problem 'basic'?

A It affects all economies and individuals.

B It is the most urgent target of government economic policy.

C It only affects low-income developing economies.

D It relates to the production of raw materials in the primary sector.

2 Which statement about the factors of production is correct?

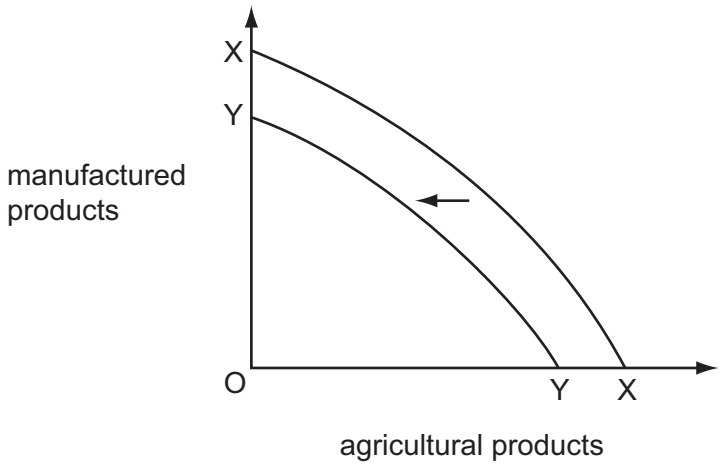
A Capital includes man-made machines that do not keep their original value.

B Enterprise is a natural factor of production that cannot be taught.

C Labour is an immobile factor that does not change its skill level.

D Land is only agricultural fields that cannot be improved by human effort.

3 The diagram shows two production possibility curves for an economy.



What could have caused the change in the economy's production possibility curve from XX to YY?

A a decrease in the price level

B a large number of industrial disputes

C a major earthquake

D an increase in unemployment

4 What is most likely to influence the price elasticity of demand for a food?

A a change in consumer tastes

B the number of close substitutes

C the rate of inflation

D whether the food can be stored easily

5 What is meant by the equilibrium quantity in the market for a product?

A the average quantity produced over the year

B the average quantity sold over the year

C the quantity at which profit occurs

D the quantity at which the demand and supply curves intersect

6 The following is a headline from the newspaper.

> Car drivers to pay higher taxes

What will result from an increased tax on cars?

A increased employment in the car industry

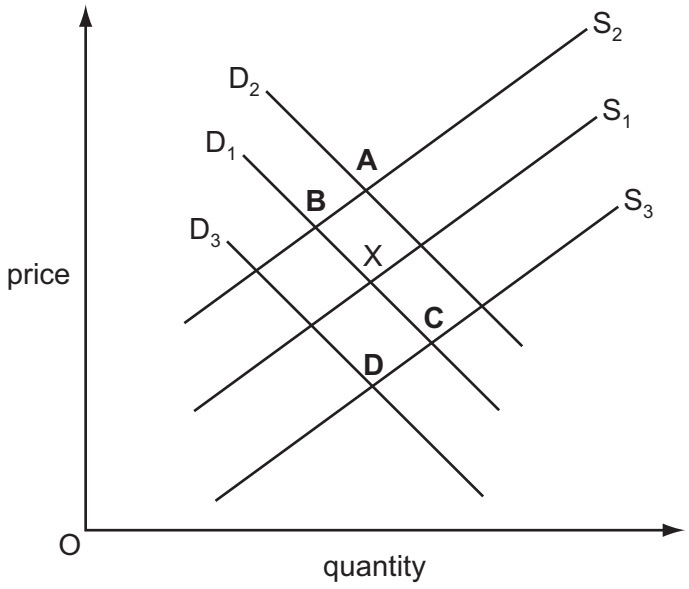
B increased petrol (gas) sales

C reduced external costs of car use

D reduced number of bus journeys

7 The diagram shows the market for refined oil with equilibrium of X.

What will be the new equilibrium when a major oil refinery shuts down for repair work?



8 A group of workers in a firm joins a trade union.

What would the union be expected to do?

A arrange for labour-saving technology to be introduced

B discuss safety issues in the workplace with the employer

C ensure job security by promoting the firm's products through advertising

D negotiate new contracts with major buyers of the firm's products

9 In which occupations do wages tend to be lowest?

A in those where the work is dangerous

B in those where there is an excess supply of labour

C in those where workers are paid on a monthly basis

D in those where workers need long training

10 When might rapid inflation together with low interest rates be a source of concern for a consumer?

A when a consumer lives on a pension linked to the consumer price index

B when a consumer needs to use savings for regular expenditure

C when a consumer pays a fixed rent for their accommodation

D when a consumer wishes to buy a good on credit

11 Asda, a supermarket chain, noticed a regular, sharp decrease in sales in the third week of the month as people ran out of cash before their next wage payment. The supermarket offered their biggest price reductions at that time.

Why might this policy increase total revenue?

A because consumers' demand curve shifts to the left in the third week of the month

B because consumers' demand curve shifts to the right in the third week of the month

C because the price elasticity of demand for Asda's products decreases in the third week of the month

D because the price elasticity of demand for Asda's products increases in the third week of the month

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12 A large tyre manufacturer expands by taking over a rubber plantation.

Of what is this an example?

A backward vertical integration

B diversifying integration

C forward vertical integration

D horizontal integration

13 What may exist in perfect competition but **not** in monopoly?

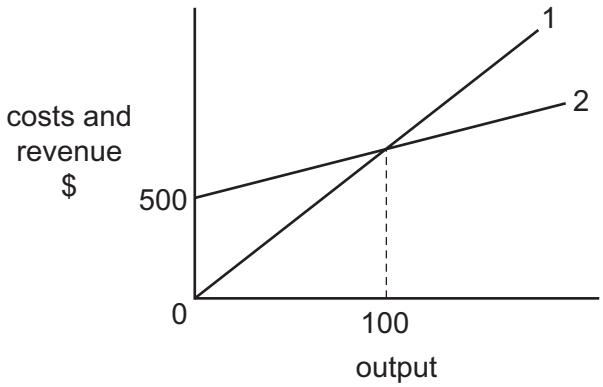
A barriers to entry

B economies of scale

C many sellers

D product differentiation

14 The diagram shows the cost and revenue curves of a firm which starts to make a profit only after producing 100 units of output.



What are the correct labels for line 1 and line 2?

	line 1	line 2
A	average cost	average revenue
B	total cost	total revenue
C	total revenue	total cost
D	variable cost	price

15 The table shows output and total costs of production of a firm with three workers.

	output	total costs ($)
week 1	5	1500
week 2	6	1600
week 3	7	1700
week 4	8	1800

How did output per worker and average cost of the product change over the period?

	output per worker	average cost
A	decrease	no change
B	increase	decrease
C	increase	no change
D	no change	increase

16 A government aims to keep domestic prices stable in a fully employed economy.

Which policy should it use?

A increase expenditure on defence

B increase indirect taxes

C increase the rate of interest

D increase the wages of government workers

17 What describes a regressive tax?

A It is paid by a higher proportion of high income earners.

B It is paid by a higher proportion of low income earners.

C It takes a higher proportion from high incomes.

D It takes a higher proportion from low incomes.

18 In 2011 the Egyptian Government increased the top rate of income tax.

What is likely to have been the main aim of this policy measure?

A a reallocation of resources from producing necessities to producing luxury products

B a redistribution of income from the rich to the poor

C a reduction in the deficit on the current account of the balance of payments

D a reduction in the level of cost-push inflation

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19 The table shows the tax paid at different levels of income.

income ($)	amount of tax ($)
6000	600
7000	700
8000	900
9000	1100

Which describes this tax?

A progressive at all levels of income

B proportional at all levels of income

C proportional at lower incomes, progressive at higher incomes

D proportional at lower incomes, regressive at higher incomes

20 What must be a consequence of deflation in a country?

A a decrease in its exports

B a decrease in its saving

C an increase in its employment

D an increase in the real value of its money

21 World population increased from 5.26 billion in 1990 to just over 7.00 billion in 2012. It is predicted to rise to 8.00 billion by 2025.

What is **most** likely to explain this?

A an increase in migration from developing to developed countries

B an increase in the birth rate in developing countries

C an increase in the death rate in developed countries

D an increase in the death rate in developing countries

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22 The table shows the rate of unemployment and the annual rates of change of gross domestic product (GDP) and consumer prices for four countries in 2012.

Which country was experiencing the worst economic recession?

		unemployment rate (%)	GDP (% change)	consumer prices (% change)
A	Greece	22.5	–7.1	+0.2
B	Hungary	10.9	–0.8	+5.5
C	Italy	10.8	–2.1	+3.2
D	Spain	24.8	–1.6	+2.0

23 The table shows the percentage change (%) in employment over a period for a country with three economic sectors.

economic sector	(%) change in employment
agriculture	–6
manufacturing	+2
services	+4

What could be concluded from this information?

A Agricultural output fell.

B The country became more developed.

C The working population stayed constant.

D Total employment remained the same.

24 What is most likely to be found in a developed country?

A a small amount of income spent on leisure and entertainment

B a small average family size

C a small number of old people

D a small number of professional people

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25 What will increase the level of economic development in a country?

A a higher infant mortality rate

B a higher inflation rate

C a higher interest rate

D a higher literacy rate

26 Developing countries have, relatively, far more poor people than developed countries.

What is the reason for this?

A Developing countries have much higher fertility rates.

B It is not possible for migrants from developing countries to work in developed countries.

C The natural increase in population is lower in developing countries.

D There is an ageing population in all developing countries.

27 The table shows statistics for four countries in southern Africa.

From the information given, which country has the lowest standard of living?

	average annual growth rate of population (%)	population density per square kilometre	life expectancy	real GDP per capita (US$)
A	1.9	19	46	190
B	2.7	2	58	1700
C	3.7	45	59	210
D	4.2	89	44	190

28 When the US$ exchange rate falls it will usually

A help to reduce a US trade deficit.

B increase the foreign price of US exports.

C reduce the price of US imports.

D reduce US inflation.

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29 Which change will increase the demand for imports?

A Consumer credit becomes more expensive.

B Income tax rates increase.

C The exchange rate appreciates.

D The government increases tariffs.

30 In recent years, the US has experienced a deficit on its overall current account of the balance of payments.

What could have led to an increase in the size of the deficit?

A increased competitiveness of goods made in the US

B increased earnings by US investors in foreign companies

C increased numbers of overseas visitors to the US

D increased spending on US military bases abroad

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