Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

ECONOMICS **2281/12**

Paper 1 Multiple Choice **October/November 2016**

45 minutes

Additional Materials: Multiple Choice Answer Sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

8153278276

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 Each factor of production earns an income.

What correctly identifies the income for labour and capital?

	labour	capital
A	profit	interest
B	rent	profit
C	wages	profit
D	wages	interest

2 What could be the opportunity cost of a nuclear power station?

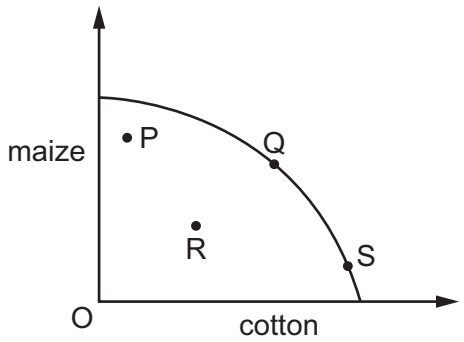
A the running costs of the power station

B a coal-fired power station

C the current value of the power station

D the cost of building the power station

3 The diagram shows a production possibility curve for maize and cotton.



Bad weather causes a poor harvest for both crops.

Which movement could be used to represent this change?

A P to R **B** Q to R **C** S to Q **D** S to R

4 The market for a good was in equilibrium. A change occurred which resulted in a new equilibrium with a higher price for the good and a lower quantity traded.

What change would have caused this?

A the demand curve moved to the left

B the demand curve moved to the right

C the supply curve moved to the left

D the supply curve moved to the right

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5 A demand curve shows the relationship between the quantity demanded and

A a change in income

B consumer tastes

C the supply of the product

D the price of the product

6 A government subsidises the production of pineapples.

This is likely to

A increase the price of pineapples

B raise the costs of supplying pineapples

C raise revenue for the government

D cause the supply of pineapples to increase at every price

7 What indicates the existence of external costs in an economy?

A An international trade deficit has caused the country to be in debt.

B National companies have borrowed from foreign investors.

C Private costs of production are less than social costs.

D Private costs of production are more than social benefits.

8 What might be a disadvantage to a trade union when arguing for an increase in its members' pay?

A an increase in imports of a cheaper, similar product

B the closure of a local training college resulting in fewer potential workers

C the development of a new and profitable brand of the company's product

D the development of new techniques that increase productivity

9 What shows the correct examples of income and wealth?

	income	wealth
A	dividends from shares	wages
B	rent from a house	overtime payments
C	overtime payments	wages
D	wages	house

10 Nazmin Uddin works in a local office as a secretary three days a week. She lives with her parents in a small apartment.

Meer Ali owns a successful fitness centre that employs about twenty people. He owns a large house.

Which is most likely to be correct?

A Nazmin spends a smaller proportion of her income than Meer.

B Nazmin saves most of her income.

C Nazmin would find it easier than Meer to borrow money.

D Nazmin has a lower disposable income than Meer.

11 The table shows how household spending changes with income.

income ($ per month)	spending ($ per month)
4000	4150
4300	4375
4600	4650
4900	4900
5200	4975
5500	5275

What is the **first** level of income shown at which savings are positive?

A $4000 **B** $4600 **C** $4900 **D** $5200

12 A survey of managers in the USA revealed that most businessmen feel that a company's responsibility is 'to serve the interests of owners, employees, customers and the public'.

The idea of profit maximisation, in contrast, implies that a company's main responsibility should be to the

A customers

B employees

C owners

D public

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13 Some agricultural co-operatives have changed from labour-intensive to capital-intensive methods of production.

What might be a cause of this change?

A Average productivity of agricultural workers has increased.

B Farming equipment has become more efficient.

C People are eating less food for health reasons.

D Some agricultural land has been sold for housing.

14 A firm has fixed costs of $200 for its daily output. The table shows its daily total variable costs.

output (units)	1	2	3	4
total variable costs ($)	300	400	700	800

What can be concluded about the firm's average total cost?

A it falls continuously

B it is highest at output 4 units

C it is lowest at output 4 units

D it rises continuously

15 The table shows the growth rate of output (%) in four sectors of an economy.

	construction sector %	energy sector %	manufacturing sector %	services sector %
first quarter of 2014	0.9	0.1	–0.7	–3.4
second quarter of 2014	0.5	1.6	–0.5	0.5

Which two sectors showed an increase in the growth rate in the first half of 2014?

A construction and energy

B construction and manufacturing

C services and construction

D services and manufacturing

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[Turn over

16 A government decides to sell the monopoly supply of gas to households to a private firm.

How could the government protect the interests of households after selling a large company to the private sector?

A by excluding all competition from foreign companies

B by imposing a tax on excess profits

C by introducing a quota system for imports of gas

D by removing price controls on gas

17 In 2015, 70 000 extra people lost their jobs but total employment rose by 75 000. What could explain this?

A Some people may have emigrated.

B Some people may have gone back to education.

C Some people may have re-entered the labour force.

D Some people may have retired early.

18 The table shows taxes as a percentage of Gross Domestic Product (GDP) for four countries.

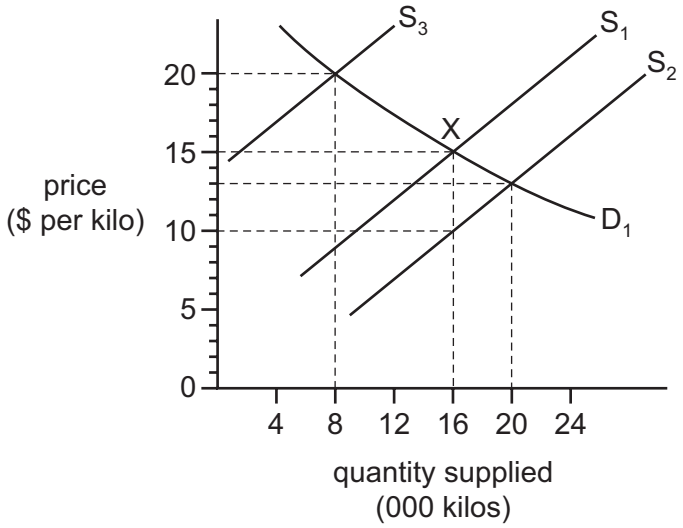
From this information, which country had the highest percentage of direct taxation as a percentage of GDP?

	income tax %	tax on business profits %	tax on dividends %	tax on goods and services %
A	12	14	2	5
B	14	15	2	14
C	17	13	5	10
D	18	10	1	10

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19 A government gives farmers a subsidy of $5 per kilo to supply food on the open market where X is the original equilibrium position.

The effect is illustrated in the diagram.



What will be the new equilibrium price and quantity supplied as a result of the subsidy?

	equilibrium price ($ per kilo)	quantity supplied (000 kilos)
A	10	16
B	13	20
C	15	16
D	20	8

20 What is involved in the construction of a Retail Price Index?

A a base year

B incomes

C price elasticity of products

D quantity supplied

21 Why is nominal Gross Domestic Product **not** a good measure to compare the standard of living in a country between two years?

A It does not account for inflation.

B It does not allow for savings.

C It does not include government expenditure.

D It only compares export prices with import prices.

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22 In 2010 there was an increase in net emigration from Ireland.

What is most likely to have caused this increase?

A a decrease in job security abroad

B a decrease in wage rates abroad

C an increase in Ireland's real GDP

D an increase in unemployment in Ireland

23 Some goods take a greater percentage of a typical household's total spending than others.

How is this accounted for in the construction of a Retail Price Index?

A by deducting the goods and services

B by giving a weight to the goods

C by taking an average of price fluctuations during a year

D by using the price elasticity of demand for the goods

24 Which outcome is **least** likely to be found with greater economic development?

A A greater percentage of the population are highly educated.

B A greater percentage of the population are homeowners.

C A greater percentage of the population are old.

D A greater percentage of the population are very poor.

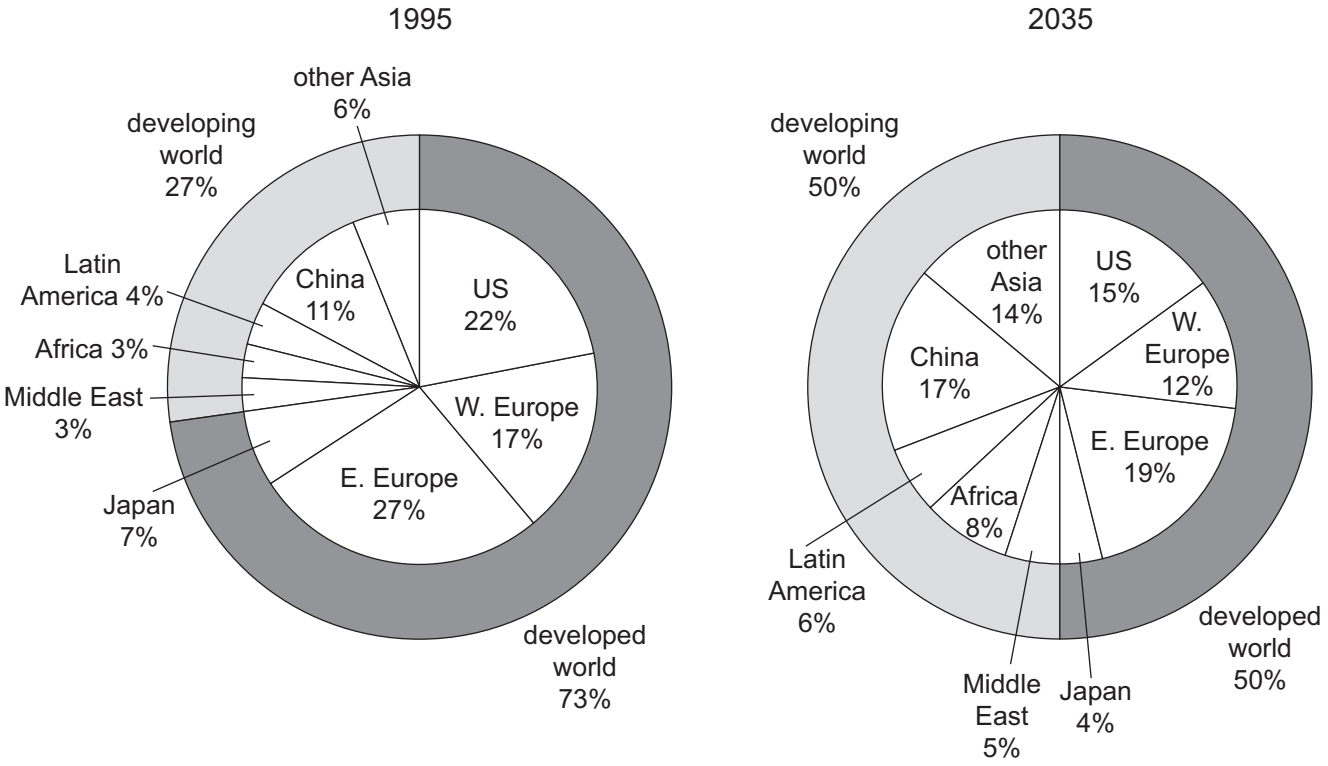
25 A government introduces state benefits for the unemployed and increases the top rate of income tax to pay for the benefits.

What effect will these changes have on poverty and the tax system?

	poverty	tax system
A	increase	make it more progressive
B	increase	make it more regressive
C	reduce	make it more progressive
D	reduce	make it more regressive

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26 The chart shows total world carbon emissions in 1995 and predicted emissions by 2035.



If the chart proves to be correct, what will have happened by 2035?

A Africa and the Middle East will have responsibility for the same amount of carbon emissions in 2035 as in 1995.

B Between 1995 and 2035, the Middle East will have increased its industrialisation by as much as Latin America.

C By 2035 the combined percentage of carbon emissions caused by Africa and Latin America will have doubled.

D The US will have decreased its carbon emissions by a smaller percentage than Western Europe.

27 What encourages international specialisation?

A a foreign exchange shortage

B diseconomies of scale

C free trade

D quotas

28 A Japanese car manufacturer decided to produce its cars in a factory in Europe.

What would **not** be a reason why they might have chosen to do this?

A cheaper wage costs in Europe

B the availability of raw materials

C to gain external economies from skilled labour in Europe

D to increase Japanese self-sufficiency

29 A government removed the quota on goods imported into the country.

What is the **most** likely result of this?

A a decrease in demand for domestic production

B a decrease in domestic unemployment

C a decrease in exports

D a decrease in the balance of trade deficit

30 The table shows components of Japan's current account balance in trillion Yen for 2011 and 2012.

year	balance of goods ¥trillion	balance of services ¥trillion	balance of current transfers ¥trillion	balance of income ¥trillion
2011	–1.61	–1.76	–1.11	14.04
2012	–5.23	–2.33	–1.02	13.55

Which balance improved between 2011 and 2012?

A balance of current transfers

B balance of goods

C balance of income

D balance of services

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