Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

ECONOMICS **2281/12**

Paper 1 Multiple Choice **October/November 2017**

45 minutes

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

5553565654

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 Economists refer to factors of production.

Which is **not** a factor of production?

A the fields of a farm

B the machinery in a factory

C the shares of a company

D the staff in an office

2 A government allowed a building company to construct new houses which destroyed an area designated as an area of natural beauty.

Which concepts can be applied to this statement?

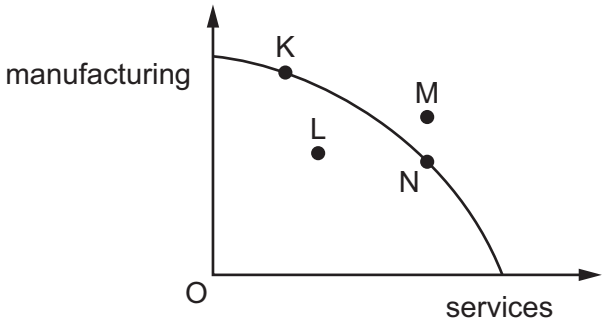
A budget surplus; public sector

B external cost; opportunity cost

C government subsidy; mixed economy

D private enterprise; budget deficit

3 The diagram shows a production possibility curve. The country is using all its resources to produce both manufactured goods and services.



What movement would represent an improvement of technology in manufacturing?

A K to N **B** L to K **C** N to K **D** N to M

4 What is the government most likely to produce in a mixed economy?

A all of the services and none of the goods

B amounts of goods and services equal to those of the private sector

C no goods and services

D some of the goods and services

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5 Which of the effects of economic development is an external cost?

A higher employment

B higher fixed costs

C increased production

D increased traffic congestion

6 The table illustrates the demand and supply for coffee in a market in Africa.

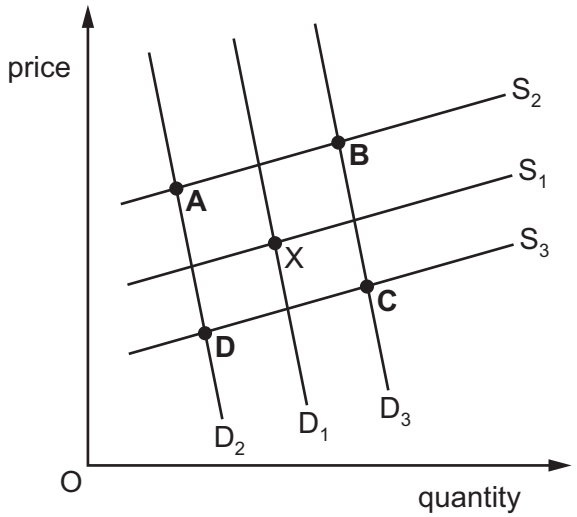
price per kg ($)	quantity demanded (kg)	quantity supplied (kg)
10	50	10
20	40	20
30	30	30
40	20	40
50	10	50

When the price rises from $20 to $30 per kg, what is the price elasticity of demand for coffee?

A 0.2 **B** 0.5 **C** 2.0 **D** 5.0

7 It was reported that the supply of oil would be affected by the discovery of new oil fields and demand would be affected by rapid global economic growth.

If point X is the initial equilibrium point, which point could represent the new equilibrium?



8 What is likely to decrease the level of saving in an economy?

A an increase in the general level of income

B an increase in the number of cheap offers in shops

C a redistribution of income from poor to rich households

D a rise in the rate of interest

9 Which change will make a manufacturing company replace machines with labour to maintain the most efficient combination of factors of production?

A The price of the product manufactured has increased.

B The productivity of labour has increased.

C The productivity of machinery has increased.

D The wages of labour have increased.

10 Although there are higher paid jobs in offices many workers stay in low-paid jobs on farms.

What might explain this in developing economies?

A Agricultural workers lack the necessary education and skills.

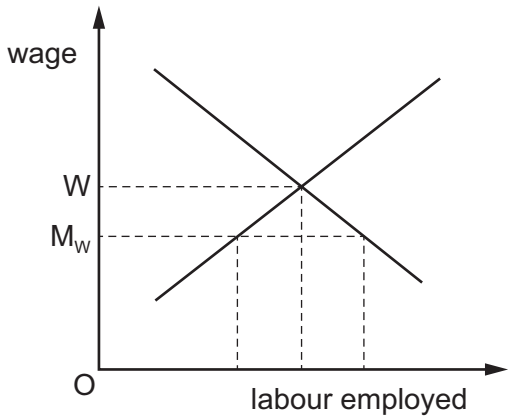
B Governments plan to increase indirect taxes on services.

C Manual workers are being replaced by machines.

D Workers on farms have high labour mobility.

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11 The diagram shows two curves. One is the demand for labour, the other is the supply of labour. A government fixes a minimum wage (M_W) that must be paid by employers.



What will be the effect of this minimum wage?

A fewer workers will be employed

B no change in the market equilibrium

C no worker will be paid wage W

D supply of labour will exceed demand

12 Which is an internal diseconomy of scale?

A a lack of communication in a firm

B a reduction of cost by buying in bulk

C a shortage of skilled labour in an area

D traffic congestion in a particular area

13 What distinguishes a multinational company from other types of company?

A It exports its products.

B It imports its raw materials.

C It produces outside its country of origin.

D It promotes its products in trade fairs abroad.

14 A major computer company announced that its profits had fallen below the level predicted.

What might have caused this?

A increased advertising costs that greatly improved sales

B low prices that made the company's product competitive

C new technology that reduced costs

D reduced sales and low prices

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15 The table shows the variable costs of a firm. It can sell the units for $5 each. Its fixed costs are $10.

quantity produced (units)	10	11	12	13
variable cost ($)	20	30	40	50

How many units will the firm produce to maximise profits?

A 10 **B** 11 **C** 12 **D** 13

16 What, when increased, will help a government to reduce the rate of inflation?

A budget deficit

B consumer spending

C income tax

D pensions

17 The government introduces a new tax. It adds $1 to the price of every $10 good and $2 to the price of every $20 good.

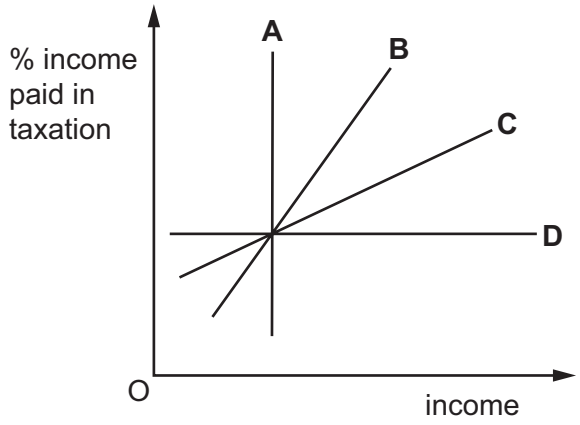
What can be concluded about the nature of this tax?

	it is a direct tax	it is a specific tax	it is a progressive tax
A	no	no	no
B	no	no	yes
C	yes	yes	no
D	yes	yes	yes

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18 The graph shows the percentage of income paid in taxation.

Which line represents a proportional tax?



19 A worker earns $40 000 a year and pays 20% income tax.

He spends $5000 on electrical goods and $10 000 on a car, and pays 20% sales tax on each.

How much indirect tax does he pay?

A $3000 **B** $5000 **C** $8000 **D** $11 000

20 Why is the Human Development Index (HDI) often considered to be better than Gross Domestic Product (GDP) per head as a measure of living standards?

A GDP per head excludes economic growth.

B GDP per head ignores population growth.

C HDI includes more than the production of goods and services.

D HDI is calculated by the national government.

21 A finance minister reported that the economy was experiencing inflation and economic growth.

What would be evidence that both of these had occurred?

A increased exports and increased output

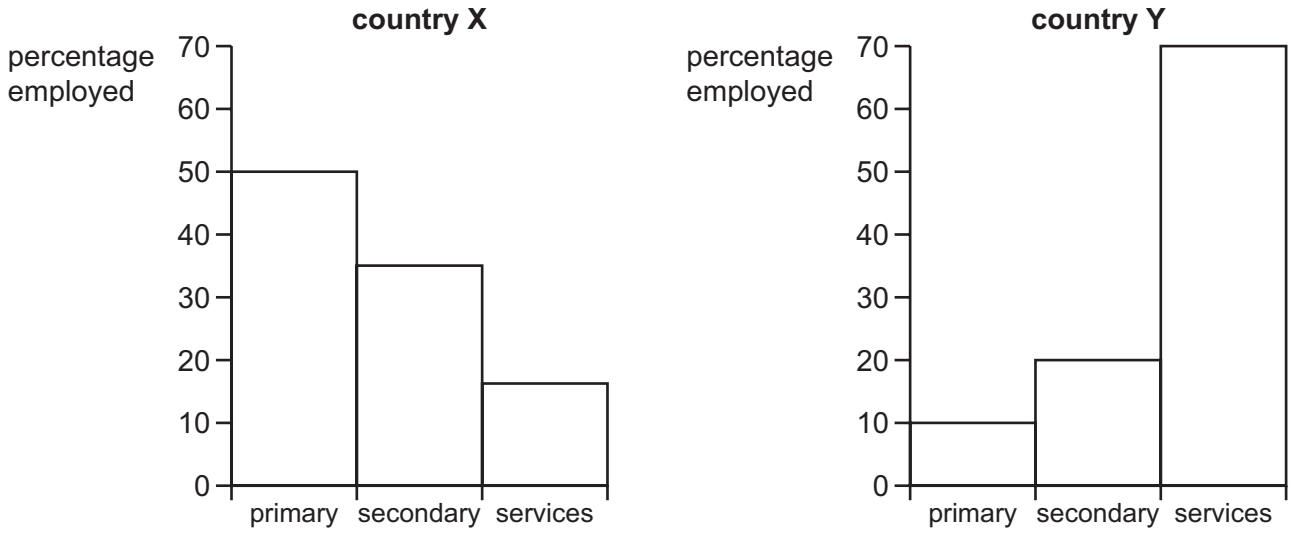
B increased imports and increased income tax

C increased interest rates and increased net migration

D increased prices and increased employment

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22 The diagrams show percentage employment in different sectors in two countries.



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

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

B Country X produces more primary output than country Y.

C Country Y is more developed than country X.

D Country Y produces more secondary output than country X.

23 What would be a cause of cost-push inflationary pressure in an industry which supplies mobile (cell) phones?

A an increase in advertising expenses for mobile phones

B an increase in export duties on mobile phones

C an increase in income taxes on wages of employees

D an increase in world demand for mobile phones

24 What is most likely to cause an increase in the population growth of a developing country?

A a decrease in immigration

B a decrease in the birth rate

C a decrease in the death rate

D a decrease in the standard of living

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25 The charts show the population structure of a country in 1960 and 2015.



What **decreased** between 1960 and 2015?

A average age

B number of people below 15

C number of people over 60

D total population

26 At the start of the year a developing country had a population of 1 000 000, its birth rate was 16.0 per thousand per annum and its death rate was 8.0 per thousand per annum. At the end of the year the population was 1 005 000.

What could explain this change in the population?

A The birth rate rose.

B The death rate fell.

C There were 3000 emigrants.

D There were 5000 immigrants.

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27 What is a benefit of tariffs?

A increased choice

B increased government revenue

C more competition

D more trade

28 Which name is given to the external value of a currency in terms of another currency?

A the balance of trade

B the exchange rate

C the relative inflation rate

D the supply of money

29 It was reported in 2011 that the United States (US) needed to achieve a lower current account deficit.

What would help this in the short run?

A a protectionist policy

B a strong exchange rate

C increased private sector spending

D investment in the US by multinational firms

30 The table shows the number of units of foreign currency that the UK pound (UK£) could buy in August 2012 and August 2013.

currency	rate per UK£ August 2012	rate per UK£ August 2013
Argentine peso	7.16	8.35
South African rand	12.86	14.97
euro	1.27	1.14

What can be concluded from the table about the change in currency values between 2012 and 2013?

A The Argentine peso appreciated against the UK pound.

B The Argentine peso depreciated against the euro.

C The euro depreciated against the UK pound.

D The South African rand appreciated against the euro.

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