Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

ECONOMICS **2281/13**

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)

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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 What does an economist mean by the factor of production called *capital*?

A goods that can be used to produce other goods

B money used to start a business

C resources that cannot be replaced

D the profits of a company

2 A government decides to spend more on defence and cannot spend money on a new airport.

Which concepts can be applied to the above statement?

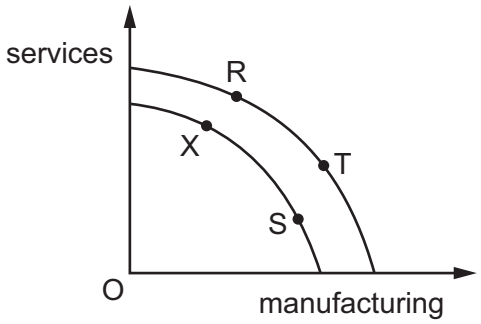
A budget surplus; external cost

B factor of production; private monopoly

C public sector; opportunity cost

D trade surplus; budget deficit

3 The diagram shows a production possibility curve diagram. A country's initial position is X.



Better manufacturing processes are introduced and the country improves its tourist facilities.

What would represent this?

A S to T **B** T to R **C** X to R **D** X to T

4 What might be an external cost of drinking alcohol?

A the cost of a bottle of wine

B the risk of illness from drinking alcohol

C the risk of street violence

D the tax paid to the government

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5 What is a benefit of the market system?

A Competition ensures choice for consumers.

B Prices equal supply costs.

C Unemployment is kept to a minimum.

D Wage differentials are small.

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 In recent years the price of crude oil on the world market has fallen dramatically. One cause has been the increase in oil obtained by the new extraction process of fracking.

How is this shown on a demand and supply diagram of the market for crude oil?

A a shift in the demand curve to the left

B a shift in the demand curve to the right

C a shift in the supply curve to the left

D a shift in the supply curve to the right

8 What is the best example of specialisation?

A a diversified engineering company

B a general repairs handyman

C a self-sufficient, non-trading country

D an old person's helper and care assistant

9 Which workers are most likely to gain the highest increase in wages from a pay rise of 2%?

A airline pilots

B farm workers

C nurses

D shop assistants

10 A female accountant in a private firm earns $80 per hour; a male Professor of Finance in a government university earns $40 per hour. Each works the same number of hours.

What could explain the difference in earnings?

A It is difficult to measure the output per hour in each profession.

B Pay in the private sector is profit-related but is not in the public sector.

C Qualifications of accountants are lower than those of Professors of Finance.

D Women are generally given preference over men in professional jobs.

11 Each of the four sets of descriptions in the table refers to a person applying for a job.

Which person is likely to receive higher pay?

A	skilled	experienced	younger worker
B	skilled	inexperienced	older worker
C	unskilled	experienced	older worker
D	unskilled	inexperienced	younger worker

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

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13 Private multinational clothing companies operate in developing countries to reduce their average costs of production.

Which feature of developing countries attracts them for this purpose?

A In developing countries, clothing workers receive low wages.

B In developing countries, foreign managers are allowed to pay no income tax.

C In developing countries, multinationals are allowed to take profits out of the country.

D In developing countries, there is a large market for fashion clothing.

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

15 An entrepreneur buys a workshop for $10 000 to make picture frames. In the first year he spent $40 000 on materials and employed two workers. He paid the workers for each frame produced with a total cost of $30 000. He bought a vehicle to deliver the frames for $10 000.

What were his total variable costs?

A $40 000 **B** $70 000 **C** $80 000 **D** $100 000

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 Which policy is most likely to increase the level of economic activity?

A increasing the exchange rate

B increasing the rate of interest

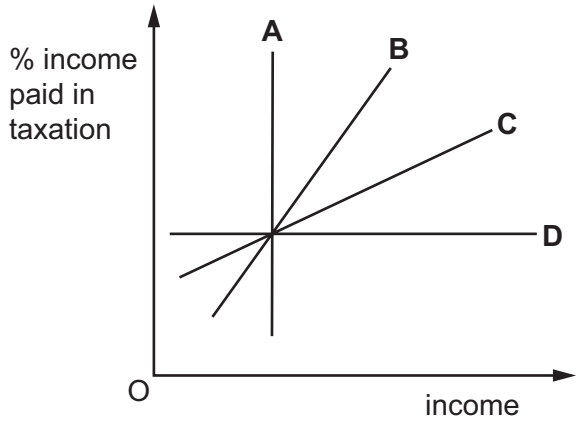
C reducing government spending

D reducing the general tax level

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

Which line represents a proportional tax?



19 A government collects the following revenue in a year.

	$m
customs duties	100
taxes on goods	200
taxes on income	400
taxes on services	300

What is the amount of indirect tax revenue?

A $200 m **B** $400 m **C** $500 m **D** $600 m

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 What may cause an immediate increase in the working population?

A a higher birth rate

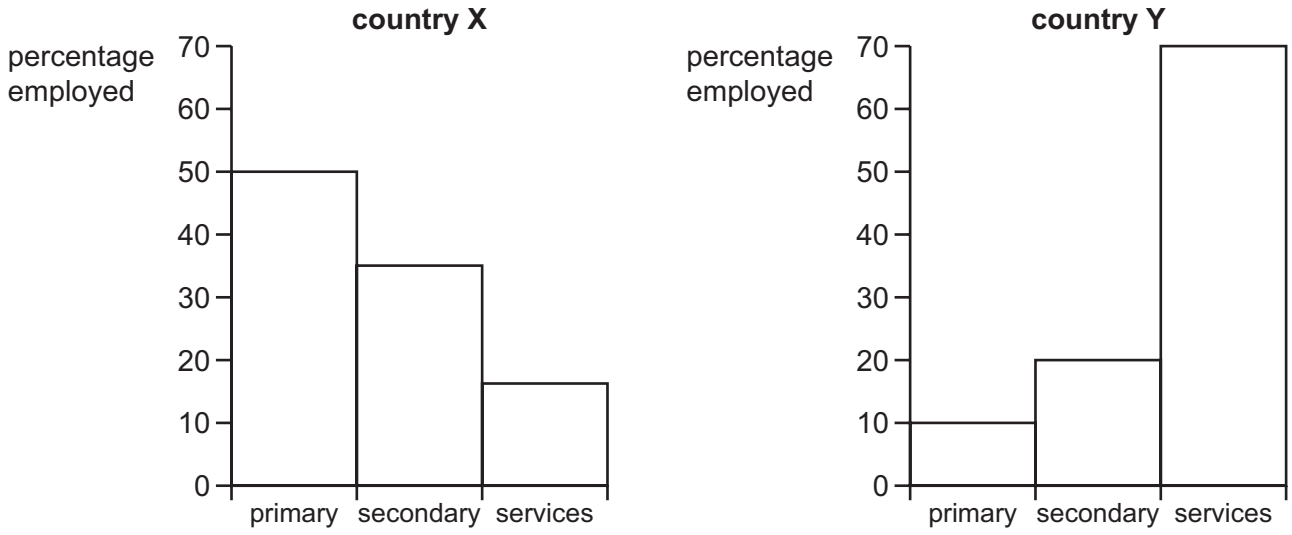
B a higher death rate

C a higher fertility rate

D a higher rate of net immigration

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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 is likely to fall when the rate of unemployment falls?

A business confidence

B consumer spending

C government revenue

D government welfare payments

24 The birth rate and death rate in a country are the same.

What is likely to happen if there is a decrease in the birth rate, while the death rate and migration remain the same?

A population structure will remain the same

B population will decrease

C the standard of living will decrease

D the working population will increase

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[Turn over

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

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26 The table shows the Consumer Prices Index (CPI) for selected cities for August 2015 relative to New York, USA at 100.

city	CPI
Geneva, Switzerland	137
Oslo, Norway	105
Sydney, Australia	89
Singapore	88
Istanbul, Turkey	48
Johannesburg, South Africa	48
Lima, Peru	44

What can be concluded from the table?

A Geneva had the highest average price level.

B Living standards were highest in Lima.

C Singapore was more expensive than Oslo.

D The annual rate of inflation was the same in Istanbul and Johannesburg.

27 What is a benefit of tariffs?

A increased choice

B increased government revenue

C more competition

D more trade

28 What is an increase in the value of an exchange rate of a currency in a floating system called?

A appreciation

B depreciation

C devaluation

D revaluation

29 A developing economy has a surplus on its trade in goods of $75 billion and a deficit on its trade in services of $25 billion, while its current account is in overall balance.

Which values for net income (primary income) and net transfers (secondary income) result in the current account being in balance?

	net income	net transfers
A	deficit of $20 billion	surplus of $120 billion
B	deficit of $30 billion	deficit of $70 billion
C	surplus of $35 billion	surplus of $15 billion
D	surplus of $40 billion	deficit of $90 billion

30 What policy would encourage greater international specialisation?

A the promotion of industrial diversification

B the protection of new businesses

C the reduction of tariffs

D the subsidising of service industries

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