Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

ECONOMICS **2281/12**

Paper 1 Multiple Choice **October/November 2018**

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 Which factor of production is **not** represented in the list shown?

bananas	a factory	goats	a risk taking investor

A capital

B enterprise

C labour

D land

2 What do economies aim to achieve in tackling the economic problem of scarcity?

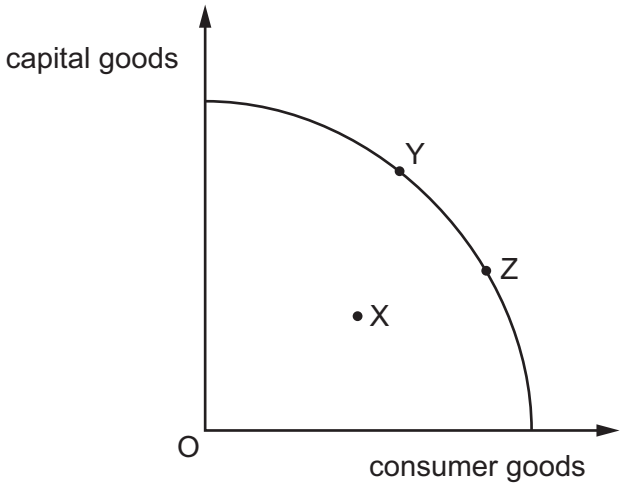
A equal balance between public and private sectors

B equal reward for equal effort

C increased competition in the use of resources

D optimum allocation of finite resources

3 The diagram shows a country's production possibility curve (PPC).



Which statement is correct?

A A movement from X to Y shows a decrease in efficiency in the economy.

B A movement from X to Z shows a discovery of new resources in the economy.

C A movement from Y to Z shows resources are being diverted from capital goods to consumer goods.

D A movement from Z to Y shows an increase in efficiency in the economy.

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4 China, the world's second largest economy, is becoming more like a market economy.

Which policy would contribute directly to such a change?

A abolishing state control completely

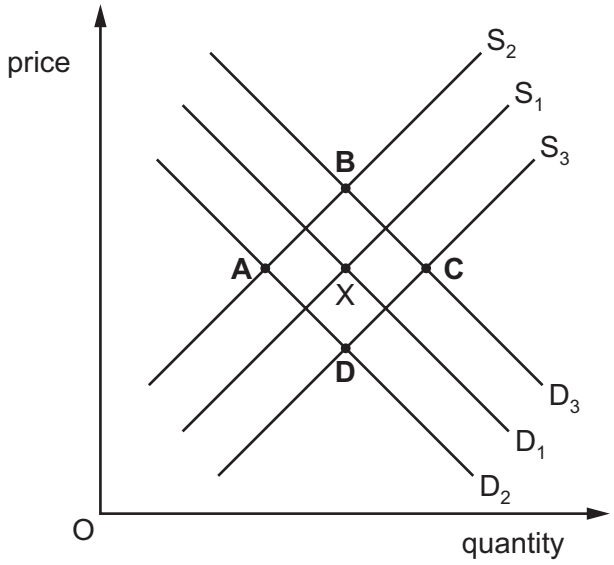
B encouraging consumers to spend more and save less

C reducing exports and encouraging more imports

D transferring wealth from the state sector to the private sector

5 The diagram shows the market for a firm making clothing with an initial equilibrium of X.

What will be the new equilibrium if there is a successful advertising campaign by a rival firm and an increase in workers' wages?



6 Coal production in the UK has declined in recent years. One reason given for this is that the social cost of coal production is too high.

What best describes the social cost of coal production?

A all the benefits of coal production minus all the costs of coal production

B the cost of the environmental damage caused by coal production

C the cost to the government of subsidising the coal industry

D the private costs of coal production plus the external costs of coal production

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7 The table shows the demand and supply for spices in a market in Africa.

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

When the price rises from US$20 to US$30 per kg, what is the price elasticity of demand (PED) for spices?

A 0.25 **B** 0.5 **C** 1.0 **D** 2.0

8 A central bank acts as a lender of last resort especially in times of financial crisis.

What is the purpose of this function?

A to cover credit card debts of consumers

B to provide liquidity to the banking system

C to remove failing banks from the financial system

D to safeguard the profits of the banking system

9 What will cause the level of savings in an economy to rise?

A a fall in investment

B a fall in real wages

C a rise in income taxes

D a rise in interest rates

10 What could affect the size of the labour force in an economy?

A the existence of a trade union

B the government's immigration policy

C the quality of university graduates

D the ratio of male to female employees

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11 Petrol (fuel) retailers in a country have noticed a sharp increase in sales in August when many people take their holidays.

Why might this take place?

A Consumers' demand curve for petrol shifts to the left in August.

B Consumers' demand curve for petrol shifts to the right in August.

C Oil refineries increase their output in August.

D Travel companies increase their hotel prices in August.

12 What is correct for firms in perfect competition?

A They achieve economies of scale.

B They are price takers.

C They make use of non-price competition.

D They produce differentiated products.

13 A film production company purchases a group of cinemas.

Of what is this an example?

A backward vertical integration

B conglomerate merger

C forward vertical integration

D horizontal integration

14 The table shows a firm's average revenue and average cost at different levels of output.

When all output is sold, which level of output gives maximum profit?

	output (units)	average revenue (US$)	average cost (US$)
A	5	10	30
B	10	20	20
C	15	25	15
D	20	30	18

15 Which statement about total fixed cost is correct?

A It falls as output increases.

B It is calculated by adding total cost and total variable cost.

C It is calculated by dividing total cost by output.

D It must be paid even if output is zero.

16 A government aims to reduce unemployment through a supply-side policy measure.

Which measure would it use?

A It would increase government spending.

B It would increase tariffs on imported goods and services.

C It would introduce retraining schemes.

D It would reduce the rate of interest.

17 When is a government said to balance its budget?

A when all goods and services are taxed equally

B when economic growth is the same in all regions of the economy

C when its total income equals its total expenditure

D when total exports equal total imports

18 The table shows the amount of tax paid as income rises in four countries, A–D.

Which country has a progressive tax?

	amount of tax (US$) paid on income of:				
	10 000	20 000	30 000	40 000	50 000
A	2 000	4 000	6 000	8 000	10 000
B	2 000	6 000	12 000	18 000	25 000
C	4 000	4 500	5 000	5 500	6 000
D	4 000	7 000	9 000	10 000	12 000

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19 In which case is success for the government in achieving the first aim likely to cause problems in achieving the second?

	first aim	second aim
A	full employment	price stability
B	high economic growth	full employment
C	price stability	stable balance of payments
D	stable balance of payments	more even distribution of income

20 Economic growth is usually measured by the annual change in

A consumer spending.

B gross domestic product.

C the output of the manufacturing and construction industries.

D the retail price index (RPI).

21 Four groups who are affected by changing economic conditions are creditors, debtors, exporters and importers.

Which pair is most likely to be disadvantaged by a high rate of inflation?

A creditors and exporters

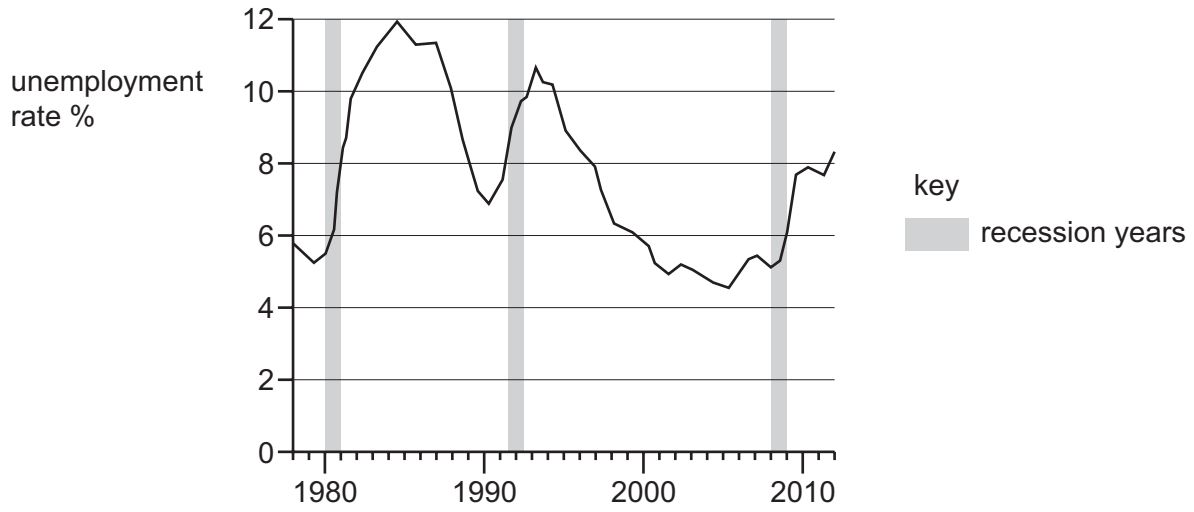
B creditors and importers

C debtors and exporters

D debtors and importers

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22 The diagram shows the rate of unemployment and the periods of recession in a country between 1978 and 2012.



What can be concluded from the diagram?

A Each recession lasted for more than two years.

B Recessions occurred at regular intervals.

C The unemployment rate peaked in a recession period.

D The unemployment rate rose during recession periods.

23 A country experienced its usual August increase in the rate of unemployment. Unfortunately this was followed by the loss of jobs resulting from the regular downturn in global economic activity.

Which types of unemployment occurred?

	first type of unemployment (August)	second type of unemployment (global downturn)
A	cyclical	structural
B	frictional	seasonal
C	seasonal	cyclical
D	structural	frictional

24 What will lead to an ageing population if other factors remain unchanged?

A a fall in the birth rate

B a rise in the death rate

C an increase in the age of retirement

D an increase in the state pension

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25 Which change is **most** likely to be expected when an economy is developing?

A birth rates increase rapidly

B poverty rates fall

C unemployment levels rise

D the primary sector overtakes the secondary sector

26 Developing countries are sometimes given aid by charities and foreign governments.

Which aid programme would be **least** likely to lead to long-term economic growth?

A the building of an irrigation system

B the construction of a new airport

C the distribution of gifts of food

D the training of technical staff

27 It is estimated that in 2016 the Olympic Games in Rio, Brazil attracted over 600 000 foreign visitors.

What is likely to have been the result of this number of visitors?

A a depreciation of Brazil's currency

B a fall in Brazil's rate of inflation

C an increase in the Brazilian government's budget deficit

D a reduction in Brazil's deficit on the current account of its balance of payments

28 What is **most** likely to happen if South Korea builds a factory in Switzerland that becomes profitable?

A South Korea's imports of goods will decrease.

B South Korea's investment income will increase.

C Switzerland's trade balance in goods will worsen.

D Switzerland's trade balance in services will improve.

29 A country has experienced a devaluation of its currency.

What are the likely results of the devaluation?

	imports	exports
A	price decreases	value decreases
B	price decreases	value increases
C	price increases	quantity decreases
D	price increases	quantity increases

30 The table shows the tariffs imposed on imported tropical fruit in the European Union (EU) according to the degree of processing.

	EU tariffs (% rate)
fresh tropical fruit	8.0
canned tropical fruit	11.3
bottled tropical fruit drinks	23.6

What might be the reason for this pattern of tariffs?

A to encourage imports of processed products into the EU

B to encourage tropical countries' exports

C to help manufacturing industries in the EU

D to help tropical countries develop manufacturing industries

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