Cambridge
O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

ECONOMICS **2281/12**

Paper 1 Multiple Choice **October/November 2019**

45 minutes

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

6331859278

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 statement about factors of production is correct?

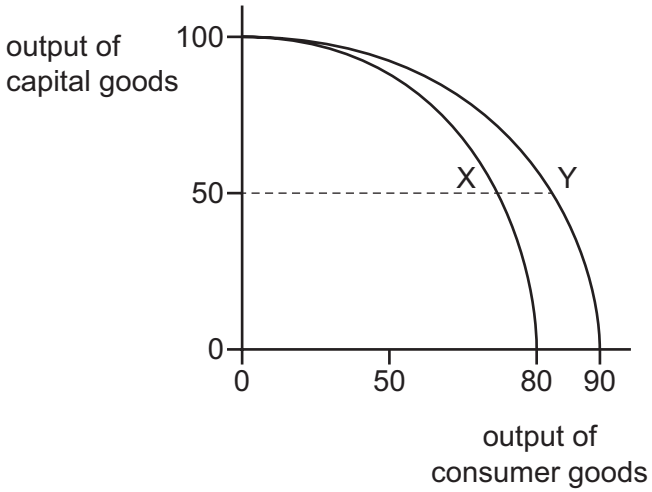
A Capital is the amount of money borrowed from a bank.

B Labour is output made by an employee.

C Land includes commercially grown rice crops.

D Profit is the reward for enterprise.

2 The diagram shows two production possibility curves.



Which statement about the movement from point X to point Y is correct?

A Demand for consumer goods has risen.

B The opportunity cost for producing consumer goods has risen.

C There has been an increase in productivity in consumer goods production.

D There has been an inward shift in the production possibility curve.

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3 Sam wrote a list of how he would prefer to spend his Saturday afternoon.

first choice	go to a cricket match
second choice	watch the annual town parade
third choice	go to the cinema
fourth choice	visit relatives

Unfortunately a thunderstorm caused the cricket match and the town parade to be cancelled. Sam went to the cinema.

What was the opportunity cost of going to the cinema?

A going to a cricket match

B watching the annual town parade

C visiting relatives

D losing his Saturday free time

4 Which pair of economic institutions can be found in a market economy?

A local government and charities

B monopolies and commercial banks

C nationalised industries and partnerships

D stock exchange and public corporations

5 What suggests that there is market failure?

A high producer profits

B high retail prices

C lack of competition

D low levels of investment

6 What can cause the supply curve for a product to shift to the right?

A an increase in demand for the product

B an increase in government subsidies to producers

C an increase in indirect taxes on the product

D an increase in the costs of production

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7 A railway company increases ticket prices by 10% for travel between 06:00 and 09:00, causing a reduction in demand by 2%. After 09:00 it reduces ticket prices by 5%, resulting in a 7% increase in demand.

What is the price elasticity of demand in response to these price changes?

	between 06:00 and 09:00	after 09:00
A	elastic	elastic
B	elastic	inelastic
C	inelastic	elastic
D	inelastic	inelastic

8 What is a disadvantage of being a specialist skilled worker?

A Career opportunities are abundant.

B Earnings are related to the level of skill.

C It may be difficult to find work locally.

D Labour supply is elastic and plentiful.

9 What is **not** normally a function of the central bank of a country?

A acting as lender of last resort

B issuing notes and coins

C operating the government's monetary policy

D setting the government's budget

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10 The table shows how three people (X, Y and Z) spend their income.

	person X	person Y	person Z
food, clothing and housing	35%	50%	20%
entertainment and leisure	25%	20%	40%
luxury goods	40%	30%	40%

For these three people, what is the **most** likely order of income, from highest income to lowest income?

A $X \rightarrow Y \rightarrow Z$

B $Y \rightarrow Z \rightarrow X$

C $Z \rightarrow X \rightarrow Y$

D $Z \rightarrow Y \rightarrow X$

11 A musician has a choice of playing for an orchestra in either Germany or England.

Which combination of incomes and cost of living is **most** likely to cause her to choose the German orchestra?

	Incomes and cost of living in Germany compared with those in England		
	pre-tax (gross) income	after-tax (net) income	cost of living
A	higher	higher	higher
B	higher	lower	lower
C	lower	higher	higher
D	lower	higher	lower

12 Which type of business organisation is necessarily in the public sector of the economy?

A multinational company

B public limited company

C public corporation

D sole trader

13 Which combination of characteristics correctly describes a monopoly?

	barriers to entry	economies of scale
A	high	possible
B	high	impossible
C	low	possible
D	low	impossible

14 The table shows the sales of cold drinks made by a company in the UK in 2016 and 2017. Demand for cold drinks is influenced by changes in the temperature. In 2016 the sales followed the usual seasonal pattern.

month	sales 2016 (thousand cans)	sales 2017 (thousand cans)
April	300	290
May	400	350
June	550	270
July	570	490
August	620	590

In which month of 2017 was the usual pattern disturbed?

A May

B June

C July

D August

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15 A firm producing bicycles has the following costs at different levels of output.

output	total fixed costs ($)	total variable costs ($)
10	300	800
20	300	1500
30	300	3300

What happens to the average total cost over this range of output?

A It falls continuously.

B It falls then rises.

C It rises continuously.

D It rises then falls.

16 Why are indirect taxes, such as VAT of 20% on goods and services, described as regressive when comparing high-income and low-income purchasers?

A High-income purchasers pay a higher percentage of their income in tax.

B High-income purchasers pay a lower percentage of their income in tax.

C Low-income purchasers pay a lower percentage of their income in tax.

D Low-income purchasers and high-income purchasers pay the same percentage of their income in tax.

17 The government has an important role in mixed economies.

Which function would it **not** perform?

A distributing dividends from profits of state-owned enterprises

B employing workers to collect taxes

C investing in transport infrastructure projects

D producing goods in public corporations

18 Which combination of policy measures would be effective in reducing the effects of a recession?

A a reduction in interest rates and a reduction in income tax

B a reduction in interest rates and an increase in income tax

C an increase in interest rates and a reduction in income tax

D an increase in interest rates and an increase in income tax

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19 How would government spending on education be classified?

	fiscal policy	monetary policy	supply-side policy
A	no	no	yes
B	no	yes	no
C	yes	no	yes
D	yes	yes	no

20 Which increase is **most** likely to cause a rise in the output of an economy?

A hyperinflation

B income taxes

C interest rates

D investment

21 Why was the Human Development Index (HDI) introduced as a measure of the standard of living?

A Education and healthcare are important contributors to the standard of living.

B GDP per head only measures development.

C Inequality can only be measured by HDI.

D Literacy rates are not an effective measure of the standard of living.

22 During periods of high unemployment across the entire labour force, the highest unemployment rate in an economy is often in the 16–19 year-old age group.

Which statement explains why 16–19 year-olds may find it difficult to find a job?

A The incentive to earn an income is lower for that age group.

B Their wages are lower than those of adults.

C They lack both work experience and the necessary skills.

D They prefer leisure activities to long working hours.

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23 Venezuela, a leading world oil producer, has experienced hyperinflation of over 400% per annum in recent years.

How does hyperinflation affect an economy?

	prices	effect
A	fluctuate up and down	consumers are uncertain about future price levels
B	fluctuate up and down	consumers can anticipate future price levels
C	rise very rapidly	value of fixed assets remains stable
D	rise very rapidly	money has limited worth as a medium of exchange

24 What is most likely to increase as a country becomes more developed?

A average household income

B average size of family

C infant mortality rate

D the proportion of income spent on food

25 In Botswana, better healthcare has meant that birth rates have been falling faster than death rates. Also the number of children born, on average, to each woman has declined from 6.4 to 3.2.

What may be concluded from this information?

A Government spending on education will need to increase.

B Medical improvements have resulted in falling infant mortality rates.

C There will be a decline in income for each person working.

D There will, in the long run, be an increase in the working population.

26 The table shows the percentage share of GDP held by the richest 20% and poorest 20% of the population in each country.

Which country had the greatest extremes of income and poverty?

	country	richest 20%	poorest 20%
A	Ghana	41.7%	8.4%
B	Nigeria	55.7%	4.4%
C	Senegal	48.2%	6.4%
D	South Africa	64.8%	2.9%

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27 What would cause a favourable change in the Kenyan trade in services (invisible) account?

A A Kenyan company wins a contract to transport exports from Uganda.

B A Kenyan tea company increases its exports.

C A Kenyan trade delegation promoting coffee sales visits India.

D A Zambian company increases its exports to Kenya.

28 What is a disadvantage of trade protection of manufactured goods?

A It can lead to retaliation from trading partners.

B It encourages infant industries to grow.

C It increases demand for domestic manufactured goods.

D It reduces outflows of currencies to pay for imports.

29 What would cause a rise in the deficit on the current account of the balance of payments?

A a fall in foreign direct investment into the country

B a fall in interest earned on overseas investment by the country

C a fall in the value of imported manufactured goods into the country

D a rise in the revenue earned from tourism in the country

30 What would reduce the volume of international trade in the world economy?

A a German bank making a loan to a Nigerian company

B a Japanese car manufacturer establishing a factory in the Czech Republic

C the Canadian government introducing quotas on Malaysian electronics products

D the Swedish government granting aid to Somalia

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