Cambridge
O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

ECONOMICS **2281/13**

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)

0419819240

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 identifies a finite resource?

A The resource does not renew itself.

B The supply of the resource is greater than demand.

C There is no opportunity cost for the resource.

D There is unlimited supply of the resource.

2 Country X provides computers to help teachers in the classroom.

How would this technology increase the economic potential of country X?

A It improves the quality of human resources.

B It reduces the amount of land required for education.

C It removes the need for teachers.

D It requires more teachers to do the same work.

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

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5 In a private market system certain goods and services would not be available unless the government intervened.

What does this identify in a private market?

A market distribution

B market equilibrium

C market failure

D market structure

6 There has been a movement upwards along the supply curve of a product.

What is the **most** likely explanation for this?

A Consumer incomes have fallen.

B New technology has made the product cheaper to produce.

C The government has imposed a tax on the product.

D The price of a substitute has increased.

7 Price elasticity of demand (PED) measures the responsiveness of demand to a change in price. It can differ for different goods.

For which good is the PED **most** elastic according to the table?

	good	percentage change in quantity demanded	percentage change in price
A	butter	6.0	5.0
B	cars	5.5	5.0
C	furniture	5.0	5.0
D	petrol	3.0	5.0

8 What is **most** likely to increase the occupational mobility of labour?

A building more houses

B increased spending on re-training schemes

C increased total government spending

D increasing the information on job availability

9 Which organisations can directly fund the growth of firms?

	central bank	commercial banks	government
A	no	yes	no
B	no	yes	yes
C	yes	no	no
D	yes	no	yes

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

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12 A public limited company has shares which are

A freely transferable on the stock exchange.

B owned by the government.

C owned only by its workers.

D restricted in their transferability.

13 In 2015, a large UK company attempted to acquire a rival US medical company to become the world's leading supplier. Both companies specialised in the manufacture of medicines for treating rare diseases.

Which term would describe the acquisition if it had been successful?

A backwards vertical integration

B conglomerate integration

C forwards vertical integration

D horizontal integration

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

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 A government decides to increase tax revenues from consumer expenditure.

Which tax will it increase?

A capital gains tax

B death duties

C profits tax

D value added tax

17 A government uses a mixture of fiscal policy measures and supply-side policy measures to stimulate growth in the economy.

Which combination of policy measures will achieve this?

	fiscal policy measures	supply-side policy measures
A	increase government expenditure	increase skills training
B	increase government investment	increase indirect taxes
C	increase direct taxation	decrease unemployment benefit
D	increase interest rates	decrease money supply

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18 The table shows tax paid at different income levels in an economy.

income level ($)	tax paid ($)
5 000	500
12 000	2400
20 000	5000
30 000	6000

Which description of the tax system used is correct?

A continually progressive

B progressive then regressive

C proportional

D regressive then progressive

19 The government uses monetary policy and reduces the interest rate.

What might be a consequence of this?

A a decrease in the rate of inflation

B an increase in the level of investment

C an increase in the level of savings

D an increase in unemployment

20 What is the **most** likely result of a sustained increase in Gross Domestic Product (GDP)?

A a decrease in living standards

B a decrease in the budget surplus

C an increase in tax revenues

D an increase in unemployment

21 Which indicator would be included in the Human Development Index (HDI) for a country?

A adult literacy rate

B doctors per 1000 people

C unemployment rate

D years spent in education

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[Turn over

22 Which type of unemployment is the result of a permanent fall in the demand for the products of an industry?

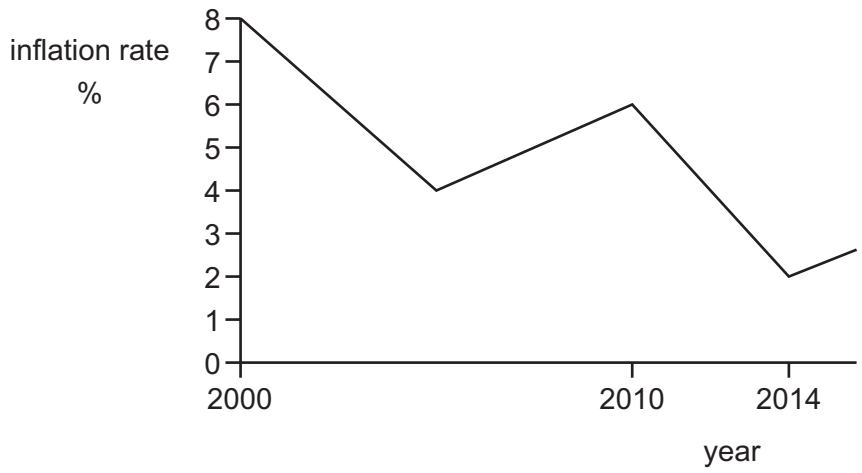
A cyclical

B frictional

C seasonal

D structural

23 The graph shows the rate of inflation in a country between 2000 and 2014.



What can be concluded about average prices?

A They fell throughout the period.

B They peaked in 2000.

C They rose each year.

D They were lower in 2014 than they were in 2010.

24 Which change, as a percentage of GDP, would be **unlikely** to be found in a country as it develops?

A an increase in average incomes and a decrease in unemployment

B an increase in manufacturing production and an increase in shipping services

C an increase in subsistence farming and a decrease in financial services

D an increase in tourism and a decrease in the export of agricultural products

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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%

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 A newspaper headline stated ‘Free trade helps the world’s poorest’.

Why might this be correct?

A Employment will be focused in hi-tech industries.

B Environmental disasters will be avoided.

C Free trade reduces competitiveness for domestic firms.

D The cost of living is likely to go down with free trade.

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29 A trade union succeeds in raising the wages in an industry above the current equilibrium wage.

How would the demand and supply of labour change?

	change in quantity of labour demanded	change in quantity of labour supplied
A	fall	fall
B	fall	rise
C	rise	fall
D	rise	rise

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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