Cambridge Assessment International Education

Cambridge O Level

ECONOMICS **2281/12**

Paper 1 Multiple Choice **October/November 2020**

45 minutes

You must answer on the multiple choice answer sheet.

You will need: Multiple choice answer sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

INSTRUCTIONS

- 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 multiple choice answer sheet.
- Follow the instructions on the multiple choice answer sheet.
- Write in soft pencil.
- Write your name, centre number and candidate number on the multiple choice answer sheet in the spaces provided unless this has been done for you.
- Do **not** use correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 30.
- Each correct answer will score one mark. A mark will not be deducted for a wrong answer.
- Any rough working should be done on this question paper.

This document has **12** pages. Blank pages are indicated.

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1 What causes economic agents to make choices?

A limited needs and wants

B the existence of finite resources

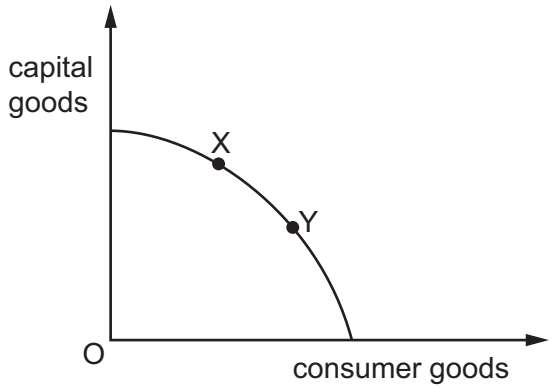
C the existence of free goods

D the market mechanism

2 Which combination of a factor of production and its factor income is **not** correct?

	factor of production	factor income
A	capital	interest
B	enterprise	profit
C	labour	dividends
D	land	rent

3 The diagram shows a production possibility curve (PPC) for a country. The country moved from position X to position Y on the PPC.



What is the **most** likely reason for this change?

A Firms have decided to increase investment in technology.

B New economic resources have been discovered in the country.

C The government has brought about an increase in living standards.

D The government has encouraged long-term economic growth.

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4 What is an example of a macroeconomic aim?

A to create and maintain full employment

B to improve efficiency in the manufacturing sector of the economy

C to provide consumers with greater information when buying goods and services

D to encourage greater occupational mobility of labour

5 Why might a market economy fail to achieve the best use of scarce resources?

A Consumers may lack information about which good to buy.

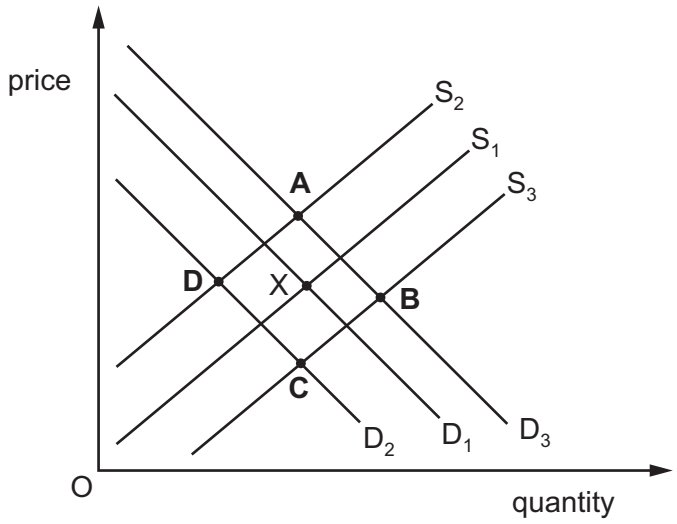
B Demerit goods are underconsumed.

C Public goods are overconsumed.

D Most resources are owned by the government.

6 The diagram shows the global market for copper with an equilibrium point of X.

Which point represents the new equilibrium after the copper producers' costs increase and there is rapid global economic growth?



7 The diagram shows the supply curve for a good.



What is the price elasticity of supply when the price rises from $10 to $12?

A 0.5 **B** 0.75 **C** 1.4 **D** 2.0

8 Which task is **not** a function of a trade union?

A agreeing the minimum number to be employed on a particular job

B deciding on the level of a national minimum wage

C negotiating working hours and conditions of work

D providing legal advice on unfair dismissal

9 What does **not** have an effect on wages in a free market economy?

A danger levels in the workplace

B government regulations

C the number of people willing and able to work

D the years of training required

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10 The table shows how household spending changes with income.

income ($ per month)	spending ($ per month)
3000	3150
3300	3375
3600	3500
3900	3825
4200	4050
4500	4275

What is the lowest level of income at which savings are positive?

A $3000 **B** $3600 **C** $3900 **D** $4200

11 What can a central bank increase in order to reduce consumer borrowing?

A commercial bank deposits

B government spending

C the exchange rate

D the rate of interest

12 The table shows the output and total costs of a small firm.

output (units)	total costs ($)
0	50 000
1 000	100 000
5 000	400 000
10 000	600 000

What is the average fixed cost of producing 10 000 units?

A $5 **B** $6 **C** $55 **D** $60

13 A firm has fixed costs of $1000. The table shows the variable cost at different levels of output.

output (units)	1	2	3	4
variable cost ($)	100	190	270	350

If the goods are sold for $500 each, how much profit will be made from the sale of 4 units?

A $650 **B** $1000 **C** $1650 **D** $2000

14 Firm X supplies bricks and decides to merge with firm Y that also supplies bricks.

Which form of merger has taken place?

A backward vertical

B conglomerate

C forward vertical

D horizontal

15 Who owns a public sector organisation?

A individuals

B shareholders

C specialist managers

D the government

16 What are two aims that a government normally pursues when managing the performance of the whole economy?

A to encourage an increase in production and to prevent high inflation

B to ensure no one is unemployed and to reduce exports

C to give everyone equal incomes and to increase government revenue

D to protect the environment and to reduce interest rates

17 What is **most** likely to be the responsibility of a central government?

A the provision of immigration officials at an airport

B the provision of security cameras in a shopping centre

C the provision of security staff at a bank

D the provision of ticket inspectors on a train

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18 The table shows the tax that an individual would pay at different levels of disposable income.

disposable income ($)	10 000	20 000	30 000	40 000
tax ($)	0	2000	4000	6000

Which type of tax is shown in the table?

A corporation tax

B indirect tax

C progressive tax

D regressive tax

19 The government wants to reduce the consumption of cigarettes.

Which policy would be **most** likely to do this?

A increasing a subsidy on cigarettes

B increasing income tax

C increasing interest rates

D increasing the indirect tax on cigarettes

20 Which group should **not** be included in the measurement of unemployment?

A redundant unskilled workers seeking alternative work

B seasonal agricultural workers in out-of-season periods

C students over 18 years continuing with full-time education

D those who have left school and cannot get a job

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[Turn over

21 The table shows the rates of unemployment and real GDP growth for an economy in 2014 and 2018.

	2014	2018
rate of unemployment (%)	3	10
rate of real GDP growth (%)	4	–2

Which combination of policy measures would be **most** effective in returning the economy to the 2014 level of economic activity?

A a decrease in direct taxes and an increase in the rate of interest

B a decrease in government expenditure and an increase in the rate of interest

C an increase in direct taxes and a decrease in the rate of interest

D an increase in government expenditure and a decrease in the rate of interest

22 An economy is experiencing rising prices.

Which government policy will help reduce consumer expenditure?

A introducing compulsory saving for income earners

B investing more in building infrastructure

C issuing more banknotes and coins

D reducing indirect taxes

23 Some goods take a greater percentage of a typical household's total spending than others.

How is this accounted for in the construction of a consumer prices index?

A by deducting the goods

B by giving a weight to the goods

C by taking an average of price fluctuations during a year

D by using the price elasticity of demand for the goods

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24 In countries with absolute poverty, low incomes can start a process that keeps incomes low.

What are the stages of this process?

A low incomes → low consumption → low prices → low output → low incomes

B low incomes → low government spending → high taxation → low employment → low incomes

C low incomes → low investment → high profits → low dividends → low incomes

D low incomes → low saving → low investment → low productivity → low incomes

25 Which factor in the world's low-income countries limits their economic development?

A balance of payments surpluses

B high saving ratios

C large inflows of foreign investment

D rapid population growth

26 The table shows the percentage employment in the primary, secondary and service sectors in four countries.

Which country is likely to be the **most** developed?

	percentage employment		
country	primary sector	secondary sector	service sector
A	10	35	55
B	20	60	20
C	35	35	30
D	40	40	20

27 What causes the birth rate to fall in a country?

A Fewer women work.

B Infant mortality rates rise.

C Medical supplies and healthcare improve.

D The optimum population increases.

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28 A country wishes to increase a current account surplus on the balance of payments.

Which action would it take?

A abolish an import quota

B increase import tariffs

C remove export subsidies

D tax export producers

29 The table shows a country's exports and imports.

	$m
exports of goods	200
imports of goods	190
exports of services	35
imports of services	38

What was the country's balance of trade in goods and services?

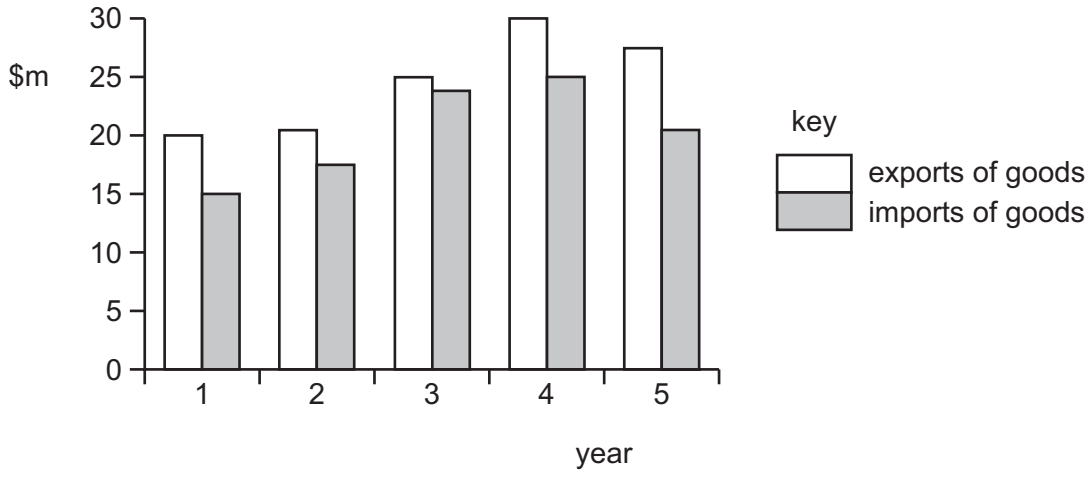
A a deficit of $7 million

B a deficit of $13 million

C a surplus of $7 million

D a surplus of $13 million

30 The diagram shows the value of a country's exports and imports of goods over five years.



Between which two years did the country have an increase in the value of imports and an improvement in its balance of trade in goods?

A 1 and 2 **B** 2 and 3 **C** 3 and 4 **D** 4 and 5

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