Cambridge Assessment International Education

Cambridge O Level

ECONOMICS **2281/13**

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.

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[Turn over

1 Why do consumers have to make choices when spending their income?

A Advertising encourages consumer spending.

B Consumers have unlimited incomes.

C Consumer wants cannot all be satisfied with their income.

D Not all products will be attractive to consumers.

2 What is the key role of an entrepreneur?

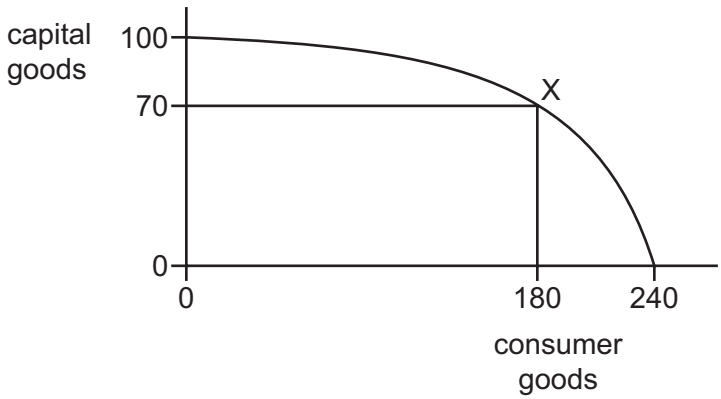
A inventor

B risk taker

C shareholder

D worker

3 The diagram shows the production possibility curve (PPC) of an economy producing at point X.



What would be the opportunity cost of moving from point X to produce only consumer goods?

A 60 units of consumer goods

B 70 units of capital goods

C 100 units of capital goods

D 180 units of consumer goods

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4 Economics is divided into two: microeconomics and macroeconomics.

statement 1 When the price of oil falls there is an expansion in demand.

statement 2 The Organization of the Petroleum Exporting Countries (OPEC) can influence the price of oil.

Which combination correctly describes these two statements?

	statement 1	statement 2
A	macroeconomic statement	macroeconomic statement
B	macroeconomic statement	microeconomic statement
C	microeconomic statement	macroeconomic statement
D	microeconomic statement	microeconomic statement

5 What is a disadvantage of a market economic system?

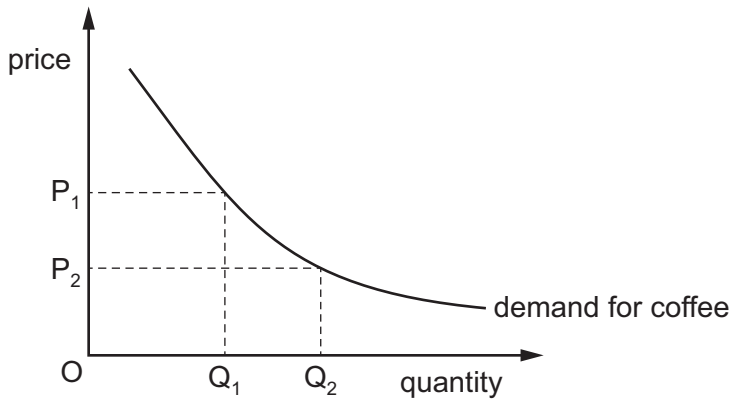
A Entrepreneurs lack incentives to produce what consumers want.

B Government intervention will reduce the efficiency of firms.

C Market dominance by firms can lead to higher prices.

D There is underproduction of demerit goods.

6 The diagram shows the demand curve for coffee in the US.



Why did the quantity demanded move from Q_1 to Q_2?

A Coffee became cheaper.

B Incomes rose in the US.

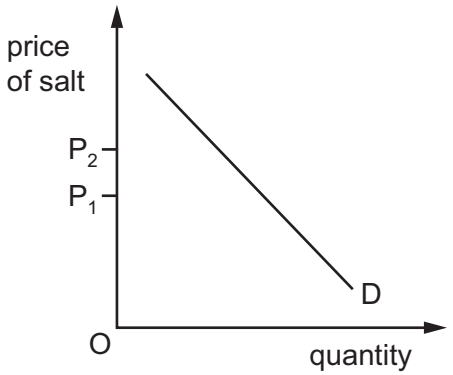
C There was a successful advertising campaign by coffee retailers.

D The price of substitutes for coffee rose.

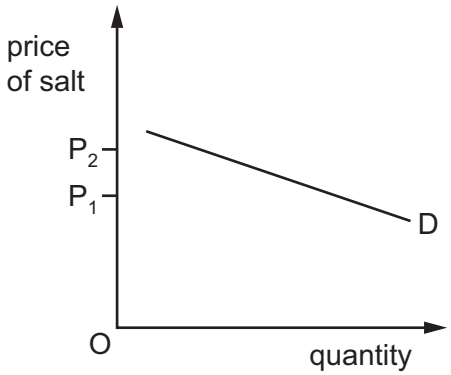
7 In an African country with large areas of tropical desert the price elasticity of demand for salt is highly inelastic. This will result in greater consumer expenditure on salt when price changes from P_1 to P_2.

Which diagram illustrates this situation?

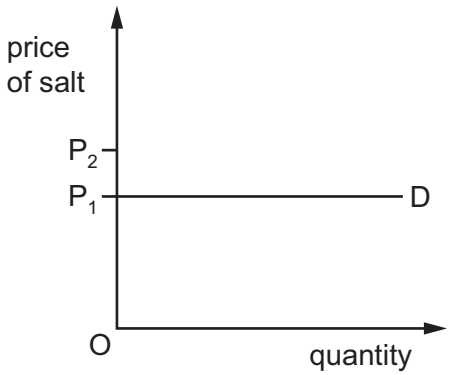
A



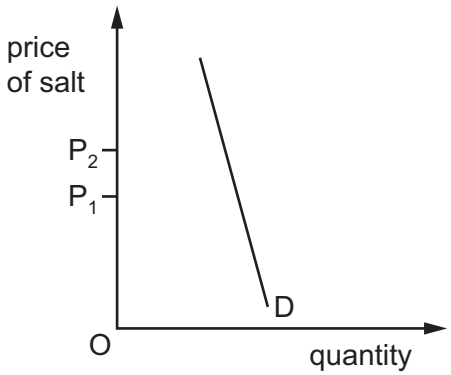
B



C



D



8 In which occupation would wages tend to increase?

A in those where a worker is paid weekly

B in those where a worker needs less training

C in those where there is an excess demand for labour

D in those where work becomes less dangerous

9 Which row shows a characteristic of money and a function of money?

	characteristic	function
A	acceptability	medium of exchange
B	cash	measure of value
C	divisibility	portability
D	store of value	bank deposit

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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 total cost of firm X at each level of output.

output	total cost
0	3
1	5
2	6
3	9

At which level of output does total variable cost exceed total fixed cost?

A 0 **B** 1 **C** 2 **D** 3

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

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14 Which combination is usually found in a monopoly?

A many buyers and many sellers

B many buyers and single seller

C single buyer and many sellers

D single buyer and single seller

15 What is usually considered to be an advantage to a firm of using division of labour?

A high labour turnover

B increased mechanisation

C movement of labour between tasks

D need for quality control

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

18 A government decreased the tax on all goods produced in its country.

What is the **most** likely consequence of this?

A a decrease in exports

B an increase in imports

C an increase in production

D a worsening of the balance of trade in goods

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19 Which government policy measure would cause an increase in a country's supply of labour?

A increasing unemployment benefits

B lowering interest rates

C raising income tax

D raising the age of retirement

20 Due to a rise in the number of retired people, there has been increased demand for some government expenditure.

Which type of government expenditure is **most** likely to be directly affected?

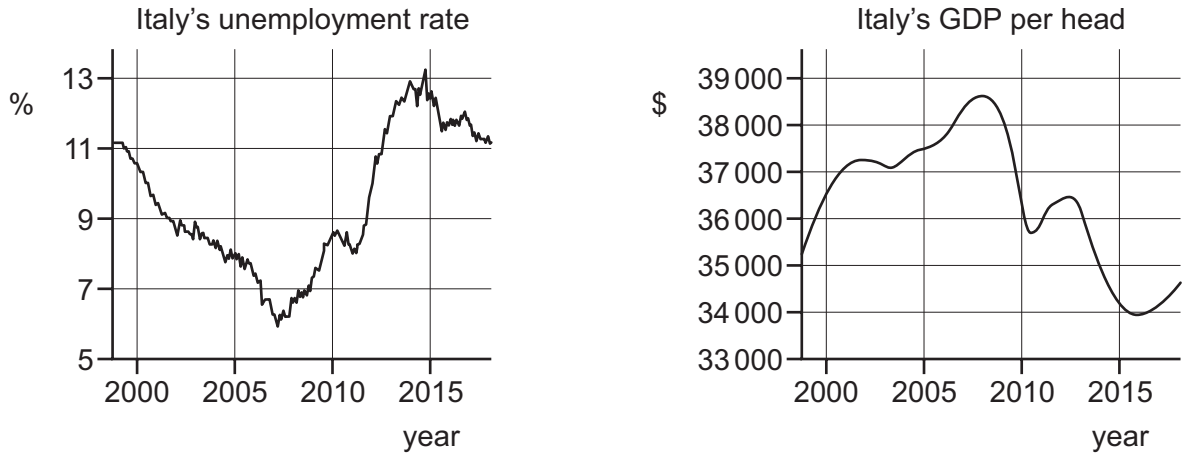
A defence

B health services

C re-training grants

D street lighting

21 The diagrams show Italy's unemployment rate and GDP per head.



When do Italy's unemployment rate and GDP per head rise at the same time?

A 2000–2001

B 2007–2008

C 2009–2010

D 2014–2015

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

24 One of the indicators of living standards is the Human Development Index (HDI).

What is **not** taken into consideration when calculating the HDI?

A education

B income per head

C level of savings

D life expectancy

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

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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 would **not** be included in the current account of the balance of payments?

A dividends earned from a firm in another country

B imports of TVs from another country

C purchase of a house in another country

D rents paid to owners of land in another country

28 What is **most** likely to discourage international specialisation and trade for an economy?

A decreasing labour supply

B decreasing transport costs

C increasing oil prices

D increasing trade barriers

29 Many low-income countries rely on multinational companies (MNCs) to provide economic development.

What is a disadvantage of this for the low-income country?

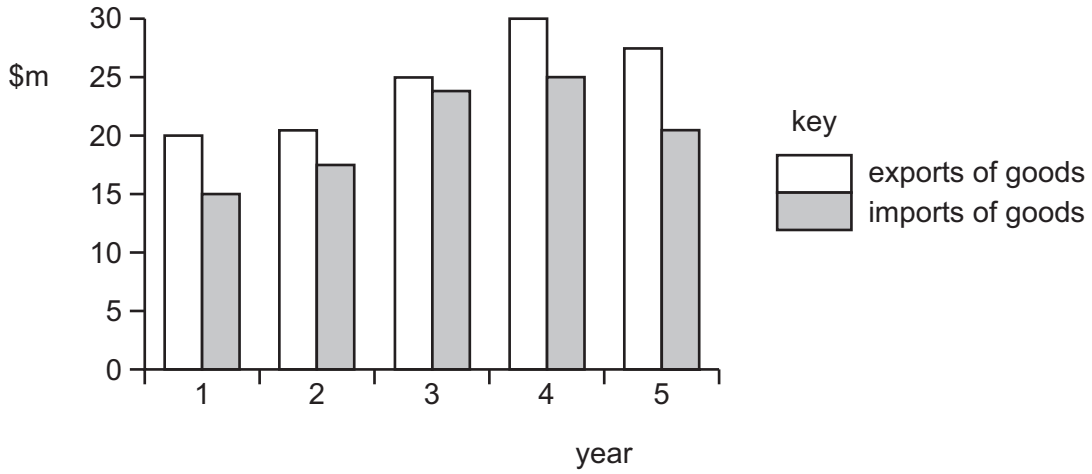
A Local firms close because MNCs are more efficient.

B New production techniques are introduced.

C The balance of payments may improve.

D The MNCs have to pay taxes on their profits.

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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