Cambridge Assessment International Education

Cambridge O Level

ECONOMICS **2281/12**

Paper 1 Multiple Choice **October/November 2021**

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.
- Any rough working should be done on this question paper.

IB21 11_2281_12/RP
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1 To help reduce the price of oil, new supplies are needed. However, objectors oppose exploration of new sites because of the environmental damage it may cause.

Why is this statement an example of the basic economic problem?

A Oil is a limited resource.

B Oil is expensive.

C The exploration involves demand and supply.

D There are external costs involved in production.

2 What is an opportunity cost for a consumer spending money on a holiday?

A the potential interest earned if the holiday money had been saved

B the price paid for an air ticket to the holiday destination

C the rubbish created during the holiday which affects the local community

D the satisfaction that the consumer gains from the holiday

3 Helium is a gas that is limited in supply because it takes thousands of years to form. The US government holds 35% of the world's supply of helium and has been selling its stocks. Helium is essential in medical scanners. It is also used for party balloons, which is a wasteful alternative use of a valuable good.

Which two concepts apply to this statement?

A demand and supply, government subsidy

B excess demand, resource allocation

C opportunity cost, private monopoly

D public sector, factors of production

4 Which combination of characteristics describes a public good?

A excludable and non-rival in consumption

B excludable and rival in consumption

C non-excludable and non-rival in consumption

D non-excludable and rival in consumption

5 What is an advantage of a market economy?

A Equilibrium market price clears the market.

B Producers and consumers have the same aims.

C The government has no need to intervene in markets.

D The lowest price possible is always charged.

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6 What is a macroeconomic aim of a government?

A balance of payments stability

B deflation

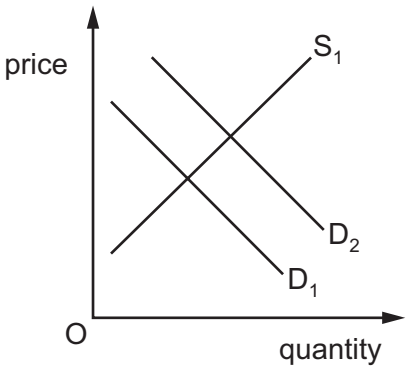
C income inequality

D unemployment

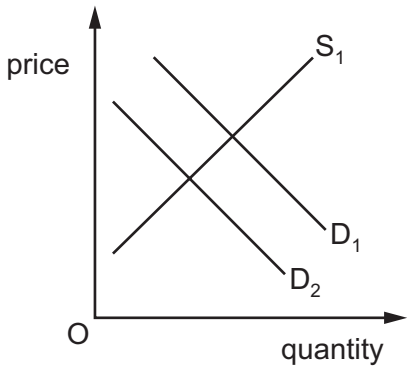
7 An economy relies on potash to make fertiliser. A new deposit of potash is discovered.

Which diagram shows this change in the market for potash?

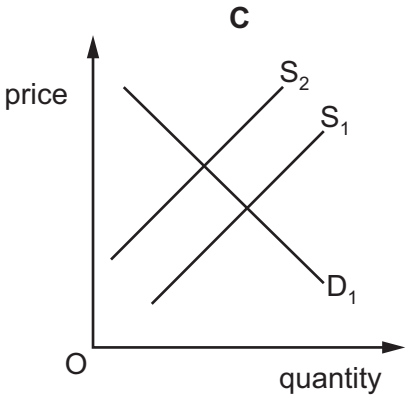
A



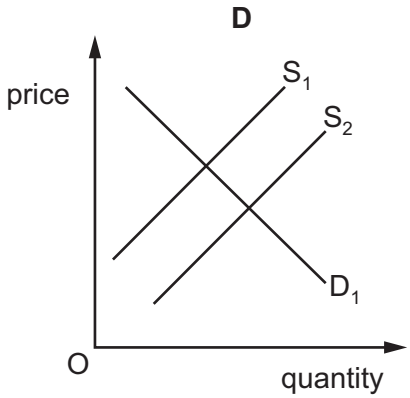
B



C



D



8 The table shows the quantity demanded at different prices.

price $	quantity demanded
6	3
5	4
4	5
3	7
2	9

For which fall in price is the demand price-inelastic?

A from $6 to $5

B from $5 to $4

C from $4 to $3

D from $3 to $2

9 Which government policy will increase productivity?

A decreasing the number of training programmes

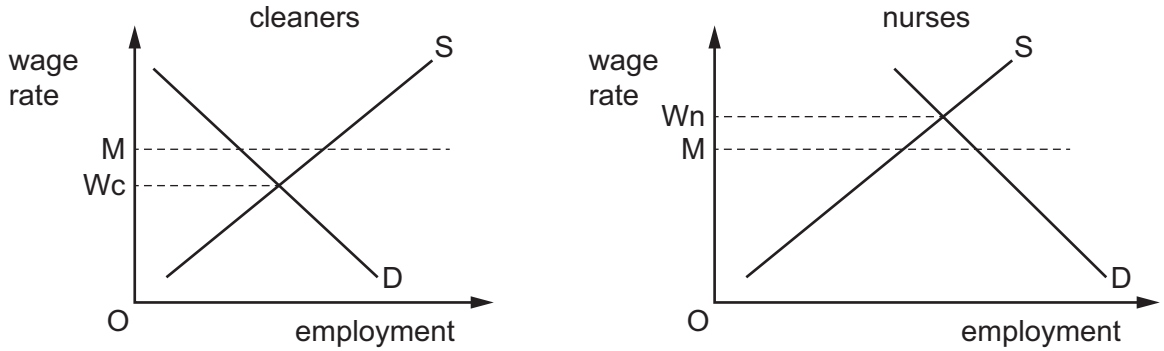
B encouraging labour-intensive production

C promoting good industrial relations

D reducing private sector investment

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10 The diagrams show the wage rates of cleaners (OWc) and nurses (OWn).



What is the result if a national minimum wage of OM is introduced?

	wage rate of cleaners	wage rate of nurses
A	fall	rise
B	no change	fall
C	rise	fall
D	rise	no change

11 Which result of increased specialisation in a firm is an advantage for the firm, but a disadvantage for some of the workers in the firm?

A greater mechanisation

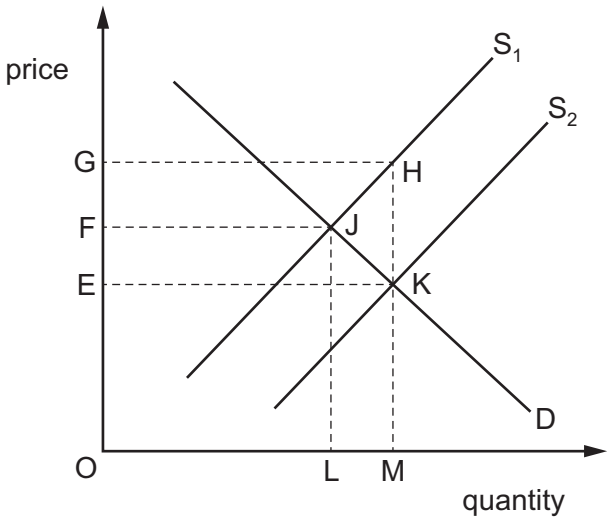
B higher labour productivity

C higher skill levels

D longer training times

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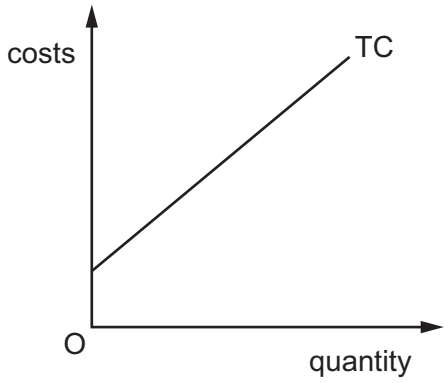
12 The diagram shows the imposition of a subsidy on a product supplied by a firm.



Which area represents the total revenue of the firm including the subsidy?

A EGHK **B** OEKM **C** OFJL **D** OGHM

13 The diagram shows the total cost curve for a firm.



What can be concluded about the firm?

A It has no fixed costs.

B It has no variable costs.

C Its average fixed cost increases.

D Its average variable cost is constant.

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14 The table shows the average total cost of a firm over a range of output.

output (units)	average total cost ($)
1	10
2	8
3	6
4	5
5	7
6	9

What happens after 4 units are produced?

A The firm experiences management problems.

B The firm gains the benefits of merging with another firm.

C The firm pays lower interest rates to banks.

D The firm receives significant discounts from bulk buying.

15 Two car manufacturers agree to merge.

Which outcome would be a disadvantage for customers?

A increased capital for research and development

B lower average costs through economies of scale

C reduced range of vehicles produced

D use of a wider range of marketing information

16 An economy recorded a second month of deflation.

What does this mean?

A It was facing a recession.

B Price levels were falling.

C Total demand was rising.

D Unemployment was falling.

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17 What is a cause of demand-pull inflation?

A a surplus of skilled labour

B higher government expenditure

C higher tax rates

D lower net exports

18 What is the consequence of economic growth for individuals and for the economy?

	individuals	the economy
A	increase in absolute poverty	increase in inflation
B	increase in average incomes	increase in government tax revenue
C	increase in the variety of goods and services	reduction in exports
D	increase in unemployment	reduction in the standard of living

19 The table shows a government's receipts from taxation.

	$m
air passenger duty	10
tax on firms' profits	100
import duty	75
income tax	200
inheritance tax	50
sales tax (VAT)	300

What is the total amount of revenue raised by indirect taxes?

A $300 m **B** $350 m **C** $385 m **D** $435 m

20 Which supply-side policy measure would help to match the skills of workers to job vacancies?

A encouraging the modernisation of factories

B offering retraining to unemployed workers

C reducing taxes to provide incentives to work

D replacing government enterprises with private enterprises

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21 How is the rate of inflation measured?

A by calculating the change in the price of goods and services from one year to the next

B by calculating the real value of all output of goods and services in an economy

C by calculating the total number of people willing and able to work but cannot find work

D by calculating the total value of exports minus the total value of imports

Due to an issue with Question 22, the question has been removed from the question paper.

23 Which combination of policy measures is **most** likely to increase the level of employment?

A decrease general taxation and decrease the rate of interest

B decrease general taxation and increase the rate of interest

C increase general taxation and decrease the rate of interest

D increase general taxation and increase the rate of interest

24 Poverty in households may be defined in relative terms.

What indicates relative poverty?

A falling below society's expected standard of living

B income level required to meet basic needs

C lack of access to clean water

D living on less than $2 a day

25 What is the effect on an economy of net emigration of people aged 20–40?

A a more mobile labour force

B an ageing population

C higher government tax revenue

D rising house prices

26 The table shows statistics for four countries, **A**–**D**.

Which country has the lowest standard of living?

	average annual growth rate of population (%)	population density (per square kilometre)	life expectancy (years)	real GDP per head ($)
A	1.9	19	46	190
B	2.7	2	58	1700
C	3.7	45	59	210
D	4.2	89	44	190

27 A country specialises in the production of steel, toys and textiles.

What is a disadvantage of specialisation for the country's workers?

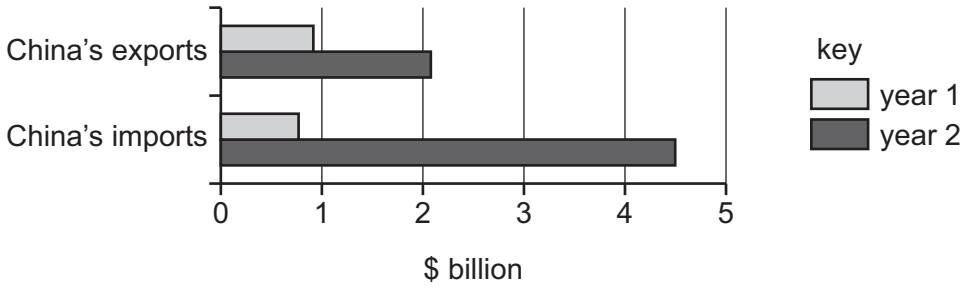
A They cannot afford to buy products from other countries.

B They could become structurally unemployed if global demand changes.

C They have to learn a variety of skills.

D They have too much choice which wastes their time.

28 The diagram shows China's trade with Brazil for two years.



What happened to China's trade balance with Brazil between year 1 and year 2?

A It experienced a falling surplus.

B It experienced a rising deficit.

C It moved from deficit to surplus.

D It moved from surplus to deficit.

29 The US imposed tariffs on cars and motorcycles from Germany.

What is the effect of these tariffs?

A decrease in inflation in the US

B decrease in trade between the US and Germany

C increase in profits of car and motorcycle producers from Germany

D increase in standards of living in the US and in Germany

30 What is an immediate effect for a country of a fall in its foreign exchange rate?

A a fall in the money supply

B an increase in purchasing power

C cheaper imports

D more competitive exports

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