Cambridge Assessment International Education

Cambridge O Level

ECONOMICS **2281/13**

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.

This document has **12** pages. Any blank pages are indicated.

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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?

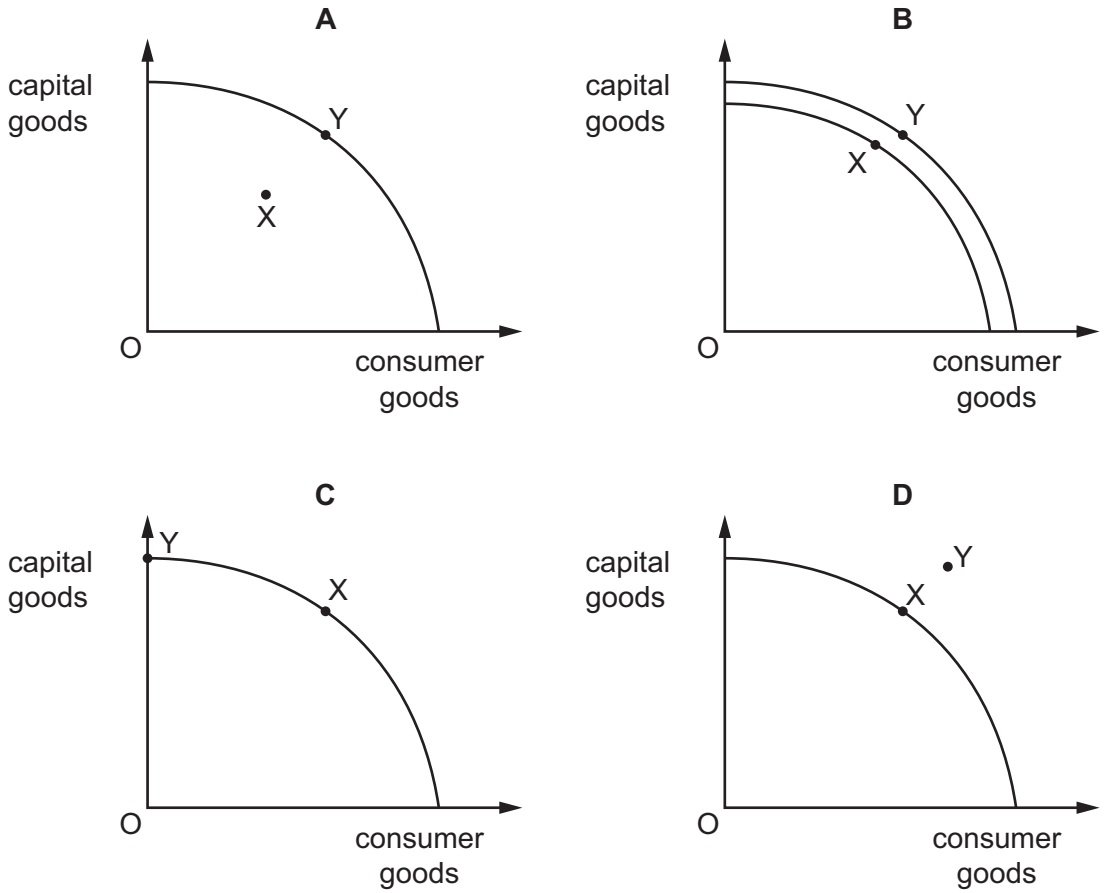
A Oil is a limited resource.

B Oil is expensive.

C The exploration involves demand and supply.

D There are external costs involved in production.

2 Which diagram shows an opportunity cost by movement from point X to point Y?



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 What is an example of a public good?

A healthcare

B street lights

C unemployment benefits

D vaccinations

5 Why does a government provide certain goods and services in a mixed economic system?

A The government always provides goods more cheaply than private firms.

B The government considers only private costs and benefits.

C The government provides goods to prevent the development of monopolies.

D The government provides public goods because private firms cannot charge for them.

6 What is a microeconomic decision?

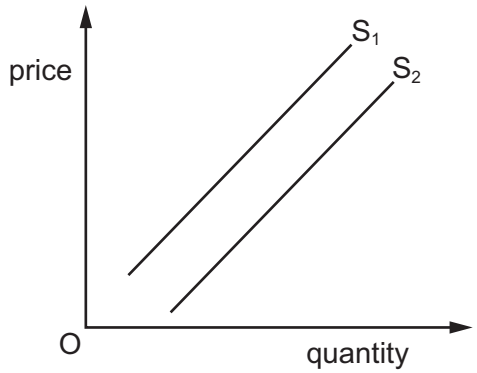
A a central bank reducing interest rates

B a gas firm reducing its prices

C a government increasing income tax

D a government increasing the national minimum wage

7 The diagram shows a shift in the supply curve for New Zealand's airlines from S_1 to S_2.



What is the cause of this shift?

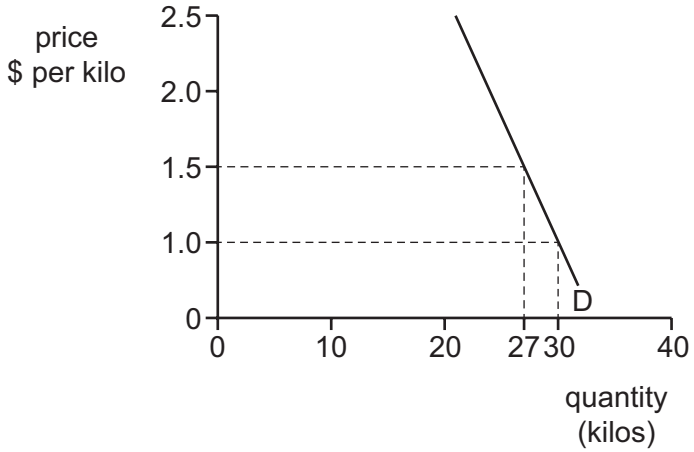
A a decrease in the costs of New Zealand's airlines

B a decrease in the number of people wanting to fly to New Zealand

C an increase in the price of train and bus travel in New Zealand

D an increase in the tax on air travel in New Zealand

8 The diagram shows the demand curve for rice.



What is the price elasticity of demand (PED) for rice as price increases from $1.0 to $1.5 per kilo?

A 0

B 1

C less than 1

D greater than 1

9 The table shows the output of cakes from four bakeries, **A**–**D**.

Which bakery has the highest labour productivity?

	labour (hours per day)	output (cakes per day)
A	10	40
B	40	640
C	50	750
D	100	500

10 What is an advantage of labour-intensive production and what is an advantage of capital-intensive production?

	labour-intensive	capital-intensive
A	each item can be individually made	average costs of production are low
B	keeps unemployment down	fixed costs are high
C	workers have pride in the product	machinery may break down
D	workers have to work hard	there is a ready market for the product

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11 The market equilibrium wage rate is $10 per hour.

What explains why the wage rate actually paid is $12 per hour?

A Employers are competing for labour.

B The government sets a minimum wage of $12 per hour.

C There is a surplus of skilled labour.

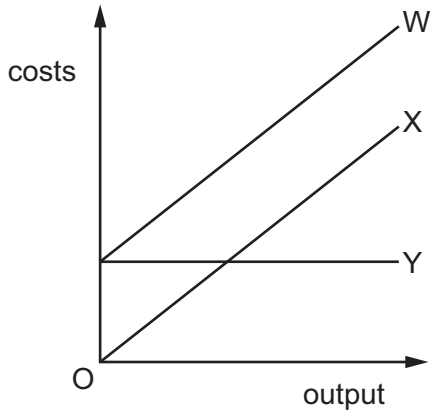
D Workers have received unpaid training.

12 A firm imports 20 high quality bicycles into the US at a cost of $3000 each. It sells them all, making a profit of $1000 per bicycle.

What is the firm's average revenue?

A $1000 **B** $2000 **C** $3000 **D** $4000

13 The diagram shows total cost (TC), total fixed cost (TFC) and total variable cost (TVC).



Which costs are shown by W, X and Y?

	W	X	Y
A	TC	TFC	TVC
B	TC	TVC	TFC
C	TFC	TC	TVC
D	TVC	TC	TFC

14 The table shows output and total cost of a firm with four production methods, **A**–**D**.

Which method causes diseconomies of scale as the firm expands production from 1000 to 3000 units?

	output (units)		
	1000	2000	3000
	total cost ($)		
A	8 000	10 000	12 000
B	8 000	14 000	27 000
C	10 000	16 000	21 000
D	10 000	20 000	30 000

15 A clothing manufacturer expands by taking over a clothing retailer.

Which type of merger is this?

A backward vertical

B conglomerate

C forward vertical

D horizontal

16 Which economic situation exists when there are two consecutive quarters (six months) of negative economic growth?

A budget surplus

B current account deficit

C inflation

D recession

17 Why might measures to reduce unemployment also make inflation rise?

A They encourage cheap imports.

B They increase demand.

C They reduce firms' costs.

D They require wages to fall.

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18 Which change affecting an economy's labour market promotes economic growth?

A increasing trade union strike action

B lowering the age of retirement

C reducing training of workers

D removing immigration controls

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 statement relating to supply-side policies is correct?

A They aim to increase aggregate demand.

B They aim to increase the long-run capacity of the economy.

C They aim to reduce cyclical unemployment.

D They aim to work in the short term.

21 What is always indicated by an increase in the Consumer Prices Index (CPI)?

A an increase in consumer spending in an economy

B an increase in living standards

C an increase in the average cost of living

D an increase in the purchasing power of money

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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 What could reduce poverty?

A greater economic growth

B less spending on education

C more regressive taxation

D privatisation of hospitals

25 The table shows information about four countries, **A–D**.

Which country is **most** likely to have a falling population?

	access to a healthy diet	cost of bringing up children
A	falling	falling
B	falling	rising
C	rising	falling
D	rising	rising

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 Malaysia and Indonesia specialise in the production of palm oil.

What is a disadvantage of specialisation?

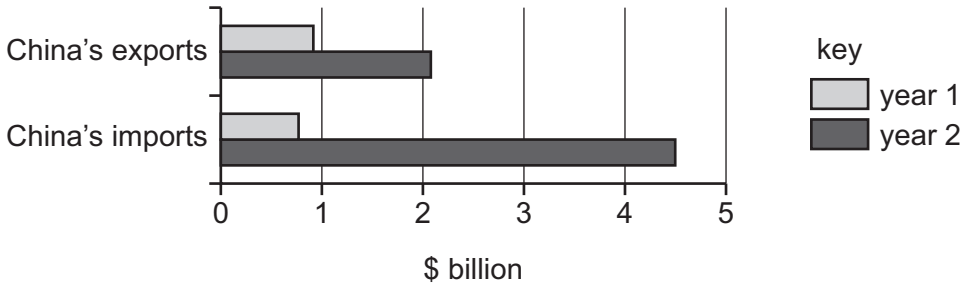
A concentration of labour in the activity in which it is most productive

B creation of jobs to meet world demand

C reliance on trade with other countries for other goods

D rising palm oil prices

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 What is a reason for trade protection?

A to reduce a deficit on the current account of the balance of payments

B to reduce a surplus on the current account of the balance of payments

C to reduce economic growth

D to reduce inflation

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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