Cambridge Assessment International Education

# Cambridge O Level

**ECONOMICS** **2281/12**

Paper 1 Multiple Choice **October/November 2022**

**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** The Chinese government is concerned about the level of poverty and the need for more resources in low-income regions of the country. As a result, it is increasing its expenditure in those regions and reducing it in high-income regions.

Which economic concept does this government policy illustrate?

**A** diseconomies of scale

**B** market forces

**C** opportunity cost

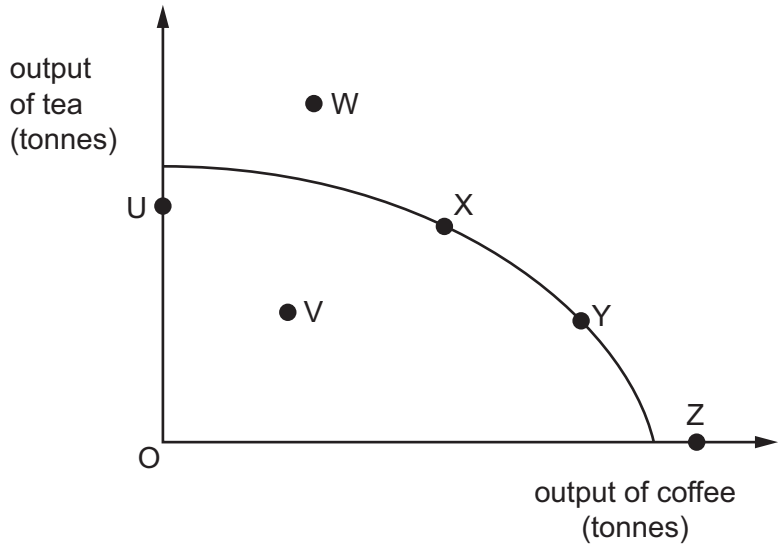
**D** specialisation

**2** An airline needs people and equipment. These can be divided into factors of production.

What is allocated to its correct factor of production?

| | people or equipment | factor of production |
|---|---|---|
| **A** | aircraft | capital |
| **B** | airline owners | labour |
| **C** | computer network | land |
| **D** | pilots | enterprise |

**3** The diagram shows a production possibility curve (PPC) and a number of output combinations for tea and coffee.




Which combinations of tea and coffee could the economy currently produce?

**A** U, V, W, X **B** U, V, X, Y **C** U, V, X, Z **D** V, X, Y, Z

**4** What is a disadvantage of a market economy?

**A** Consumer choice is ignored.

**B** Consumers may lack information.

**C** Government subsidies encourage efficiency.

**D** There is no incentive to work.

**5** Workers are awarded a pay rise but do **not** increase their productivity. Workers do **not** buy the product that they produce.

How would this change be shown on a demand and supply diagram for the product?

**A** The demand curve will shift to the left.

**B** The demand curve will shift to the right.

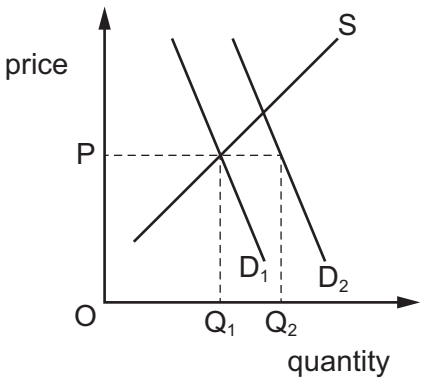
**C** The supply curve will shift to the left.

**D** The supply curve will shift to the right.

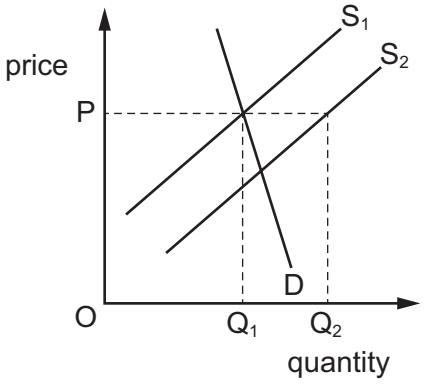
**6** The diagrams show changes in market conditions.

Which diagram shows a shortage at price P?

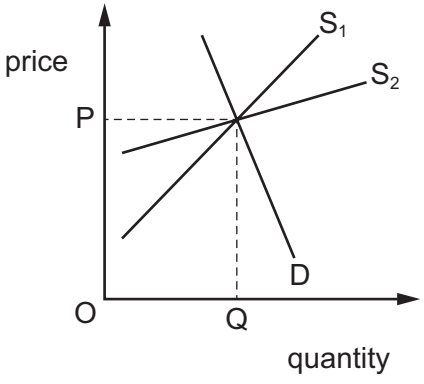
**A**



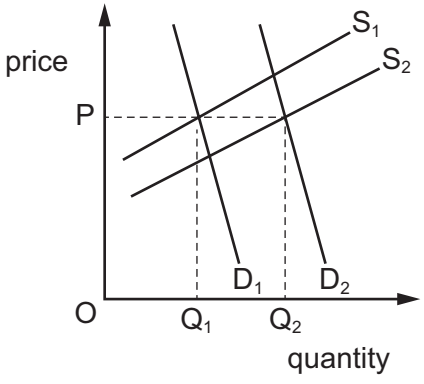

**B**




**C**




**D**



**7** What is the definition of price elasticity of demand?

**A** the responsiveness of quantity demanded of a product to a change in income of consumers

**B** the responsiveness of quantity demanded of a product to a change in the price of a complementary product

**C** the responsiveness of quantity demanded of a product to a change in the price of that product

**D** the responsiveness of quantity demanded of a product to a change in the price of a substitute product

**8** To reduce traffic congestion, a government decides to build a new road. There is a toll charge on the new road.

What is the main purpose of this government intervention?

**A** to address the problem of market failure

**B** to discourage people from using public transport

**C** to ensure the supply of transport through the free market

**D** to obtain revenue from the levy of a toll

**9** Which organisations can directly fund the growth of firms?

| | central banks | commercial banks | governments |
|---|---|---|---|
| **A** | no | yes | no |
| **B** | no | yes | yes |
| **C** | yes | no | no |
| **D** | yes | no | yes |

**10** Which advantage do coins have that makes them more suitable than paper banknotes to act as money?

**A** They are more divisible.

**B** They are more durable.

**C** They are more portable.

**D** They are more recognisable.

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**11** Which statement about different income groups is correct?

**A** High-income groups do not need to borrow money.

**B** High-income groups save less money than low-income groups.

**C** Low-income groups find it easier to borrow than high-income groups.

**D** Low-income groups save a smaller percentage of their income than high-income groups.

**12** 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 |

**13** The central bank of a country decreases interest rates to help the economy out of a recession.

How is this decrease in interest rates **most** likely to affect the levels of saving in and borrowing from the country's commercial banks?

| | saving | borrowing |
|---|---|---|
| **A** | decreases | decreases |
| **B** | decreases | increases |
| **C** | increases | increases |
| **D** | increases | decreases |

**14** Which effect of increased specialisation by firms and workers is **most** likely to cause problems for an economy?

**A** better product quality

**B** greater interdependence

**C** higher productivity

**D** improved resource allocation

**15** Which statement is correct when comparing small firms with large firms?

**A** Small firms are more able to adapt to changes in market conditions.

**B** Small firms are more able to reduce competition through barriers to entry.

**C** Small firms benefit from lower cost per unit from economies of scale.

**D** Small firms have higher total fixed costs and lower average fixed costs.

**16** Which pair is included in a government's budget?

**A** consumption and factor income

**B** exports and imports

**C** investments and savings

**D** public expenditure and tax revenue

**17** The table shows the rate of income tax paid at different income levels.

| level of income<br>$ | rate of income tax<br>% |
|---|---|
| 30 000 | 20 |
| 40 000 | 30 |
| 50 000 | 40 |

What describes this type of tax?

**A** indirect

**B** progressive

**C** proportional

**D** regressive

**18** A central bank reduces interest rates.

What would **not** be a consequence of this action?

**A** a benefit for borrowers receiving loans

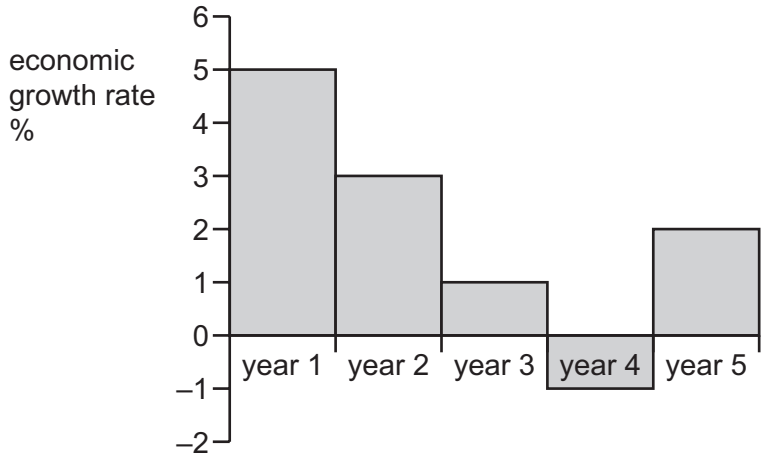
**B** a fall in the international value of the currency

**C** a reduction in inflation

**D** an increase in GDP

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**19** The diagram shows a country's economic growth rate over a 5-year period.




What can be concluded from the diagram?

**A** Output fell throughout the period.

**B** Output was at its highest in year 1.

**C** Output was at its highest in year 5.

**D** Output was at its lowest in year 4.

**20** An individual decides to employ a professional decorator rather than buying the materials and decorating her house herself.

Why would this decision cause GDP to rise?

**A** The activity would be recorded as income for the decorator.

**B** The individual would have more leisure time.

**C** The professional decorator can purchase materials at a discount.

**D** The professional decorator would work less efficiently than the individual.

**21** What is the definition of the unemployment rate?

**A** the benefits and allowances paid by the government to people without a job

**B** the number of people without a job but seeking a job as a percentage of the labour force

**C** the rate of change in the number of people who have not worked over the last year

**D** the total number of people not working when the data was calculated

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**[Turn over**

**22** What is **most** likely to cause inflation?

**A** a reduction in exports

**B** a reduction in government spending

**C** an increase in the rate of interest

**D** an increase in trade union power

**23** The table shows changes in economic growth and inflation.

Which changes are likely to be the result of rising unemployment?

| | economic growth | inflation |
|---|---|---|
| **A** | falling | falling |
| **B** | falling | rising |
| **C** | rising | falling |
| **D** | rising | rising |

**24** The table shows the percentage changes in earnings and consumer prices for four countries in one year.

Which country is likely to have experienced the greatest increase in real income during the year?

| | country | earnings | consumer prices |
|---|---|---|---|
| **A** | France | +6.5 | +3.5 |
| **B** | Germany | +4.0 | +4.0 |
| **C** | Japan | +4.0 | –1.0 |
| **D** | UK | +6.5 | –2.0 |

**25** What is included in the Human Development Index (HDI)?

| | environmental sustainability | life expectancy | years of schooling |
|---|---|---|---|
| **A** | no | no | yes |
| **B** | no | yes | no |
| **C** | no | yes | yes |
| **D** | yes | yes | yes |

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**26** A fall in the level of absolute poverty can be best achieved by reducing

**A** government unemployment benefits.

**B** income tax.

**C** the number of homeless people.

**D** the rate of inflation.

**27** The table shows some details from a country's balance of payments. The country has no secondary income (current transfers).

| item | $ million |
|---|---|
| exports of goods | 280 |
| imports of goods | 350 |
| exports of services | 110 |
| imports of services | 60 |
| net primary income | –40 |

What is the country's balance on its current account?

**A** a deficit of $60 million

**B** a deficit of $160 million

**C** a surplus of $20 million

**D** a surplus of $760 million

**28** Vietnamese companies buy insurance from companies in the US.

How will this transaction be recorded in the Vietnamese balance of payments?

| | section | credit / debit |
|---|---|---|
| **A** | trade in goods | credit |
| **B** | trade in services | credit |
| **C** | trade in services | debit |
| **D** | current transfers | debit |

**29** What is a restriction on the quantity of imports called?

**A** dumping

**B** quota

**C** subsidy

**D** tariff

**30** Which combination of factors would attract a multinational company (MNC) producing smartphones to operate in a low-income country?

**A** high economic growth rate and supply of cheap labour

**B** low corporation tax and competitive local market

**C** limited supply of skilled workers and cheap land

**D** strict employment laws and high import duties

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