Cambridge Assessment International Education

Cambridge O Level

ECONOMICS **2281/12**

Paper 1 Multiple Choice **October/November 2023**

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 Which statement is correct?

A Economic goods are **not** scarce.

B Economic goods have no opportunity cost.

C Free goods are scarce.

D Free goods have no opportunity cost.

2 The economy of country X is always on its production possibility curve (PPC).

When will the goods and services produced by country X become more scarce?

	PPC	population size
A	shifts left	increases
B	shifts right	unchanged
C	unchanged	decreases
D	unchanged	unchanged

3 What is capital?

A the ability to organise the factors of production

B the energy used in production

C the factory used in production

D the money invested in a firm

4 What are features of a market economy?

	private ownership of factors of production	public ownership of factors of production	government allocation of production
A	no	no	yes
B	no	yes	yes
C	yes	no	no
D	yes	yes	yes

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5 Public transport and cars are substitute goods. The price of public transport rises.

What will happen to the demand for cars?

A It will contract.

B It will extend.

C It will decrease.

D It will increase.

6 The markets of four products are all in equilibrium. The table gives the value of the price elasticity of supply (PES) for each product.

The demand for each product shifts to the right by 5000 units at all prices.

Which product will have the largest price increase?

	price elasticity of supply
A	0
B	0.6
C	1.0
D	2.5

7 What is the value of the price elasticity of demand (PED) for a product if total revenue remains the same when the price is reduced?

A zero

B between 0 and 1

C greater than 1

D 1

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[Turn over

8 The owner of a hotel in Malaysia finds that the price elasticity of demand (PED) for accommodation in the area is –1.7.

If the hotel owner decreases the price of a room by 5%, how would the demand for a room change?

A It would decrease by 2.9%.

B It would decrease by 8.5%.

C It would increase by 2.9%.

D It would increase by 8.5%.

9 Good weather results in an increase in the demand for tomatoes. It also increases the supply of tomatoes.

What **must** be a result of this?

A The price of tomatoes will fall.

B The price of tomatoes will rise.

C The quantity of tomatoes traded will fall.

D The quantity of tomatoes traded will rise.

10 What causes a change in the price of a product in a free market economy?

A changes in demand and supply conditions

B changes in external costs and external benefits

C changes in government decisions

D changes in the quantity of public goods

11 The ways of making and receiving payments continue to develop. Payments can now be made using smartphones, as well as cash, debit cards and credit cards.

Which method of paying for products provides no information to sellers about their customers?

A cash

B debit cards

C credit cards

D smartphones

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12 In most countries, which organisation controls the banking system?

A central bank

B commercial bank

C investment bank

D World Bank

13 What is **not** a reason for differences in the earnings of airline pilots in a particular country?

A bargaining power of employees

B discrimination

C government policies

D inflation

14 An airline takes over an online clothing company.

What is an advantage of such a move by the airline?

A to diversify their operations

B to generate economies of scale

C to improve lines of communication

D to increase market share

15 In which type of industry is a firm **most** likely to make a large profit in the short run and in the long run?

	number of firms in the industry	barriers to entry into the industry
A	many	high
B	many	low
C	one	high
D	one	low

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16 A firm produces five units of output at an average cost of $20 per unit. The cost of the sixth unit is $26.

What is the average cost of six units?

A $4.33 **B** $6 **C** $8.33 **D** $21

17 What is an example of government macroeconomic policy?

A increasing the money supply

B preventing price rises in the food industry

C removing a monopoly's barriers to entry

D setting a maximum price for wheat

18 Why would devaluing the international value of an economy's currency help reduce unemployment?

A Devaluing the currency would increase the cost of production.

B Devaluing the currency would increase the confidence of investors.

C Devaluing the currency would increase the foreign demand for domestic products.

D Devaluing the currency would increase the demand for imports.

19 What is likely to happen when the rate of interest increases?

A consumer spending increases

B firms buy fewer machines

C people hold more cash

D savers earn lower rewards

20 What is **not** a supply-side policy measure?

A control of trade union power

B higher indirect taxation

C privatisation

D skills training for workers

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21 The table shows the real GDP per head for a country in 2021 and 2022.

2021	2022
$20 000	$21 000

What is **most** likely to have changed between 2021 and 2022?

A Incomes were distributed more evenly.

B There was more activity in the informal economy.

C The living standards of some people improved.

D The rate of inflation increased.

22 Which change to fiscal policy is **most** likely to reduce cyclical unemployment in an economy?

A increasing direct taxation

B increasing the budget deficit

C increasing the budget surplus

D increasing the money supply

23 What must have happened in a country when it experienced an annual rate of inflation of 100%?

A The money supply doubled.

B The price level halved.

C The purchasing power of money halved.

D The real value of money doubled.

24 The Human Development Index (HDI) can be used to measure human development in countries.

Which measure would **not** be part of its calculation?

A inequality of incomes

B life expectancy

C gross national income per head

D years of schooling

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25 What is the **most** likely consequence of an ageing population for a high-income economy?

A There will be a fall in the dependency ratio.

B There will be a fall in the level of immigration.

C There will be an increase in geographic mobility.

D There will be an increase in spending on healthcare.

26 In some developing countries a large percentage of the population is involved in subsistence farming.

What can be concluded from this?

A Each family will be able to produce enough to live on.

B Production is unlikely to be capital intensive.

C Production will be efficient.

D There will be a high level of trade.

27 A small country whose only export is oil decides to reduce substantially the rate at which it extracts its limited oil reserves.

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

A to improve the balance of payments in the following year

B to increase current government income

C to maintain future living standards

D to raise the level of employment in the oil industry

28 Country X believes that country Y is selling steel at prices below the average cost of production. So, country X imposes a higher tariff on steel imports from country Y.

What does country X hope to achieve by imposing this higher tariff?

A avoid country X dumping steel in country Y

B avoid country Y dumping steel in country X

C reduce inflation in country X

D reduce inflation in country Y

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29 Which factor would cause a country's exchange rate to fall?

A Demand for imports increases.

B Domestic interest rates rise.

C Domestic savings increase.

D More tourists visit the country.

30 Many European firms employ workers from the Philippines. These workers send part of their income to relatives in the Philippines.

In which part of the balance of payments current account for the Philippines would these transactions be recorded?

A primary income

B secondary income

C trade in goods

D trade in services

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