



Cambridge O Level

ECONOMICS

2281/11

Paper 1 Multiple Choice

May/June 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.



- 1 A government uses different supply-side policy measures to improve economic performance.

Which policy measure would **not** satisfy one of the government's macroeconomic aims?

- A changing the tax system which leads to more tax evasion
- B encouraging foreign investment which improves the balance of payments
- C privatising state industries which increases economic growth
- D retraining redundant workers which lowers unemployment

- 2 What could cause an increase in demand for a factor of production?

- A decrease in the efficiency of the factor of production
- B decrease in the price of an alternative factor of production
- C increase in the demand for the good or service produced
- D increase in the price of the factor of production

- 3 Which components, in addition to Gross Domestic Product (GDP) per head, are included in the Human Development Index (HDI)?

- A average earnings and inequalities of incomes
- B balance of trade and balance of payments
- C life expectancy at birth and expected years of schooling
- D size of population and age structure of population

- 4 The US government introduces tariffs on steel imported from China. This increases the price of imported Chinese steel.

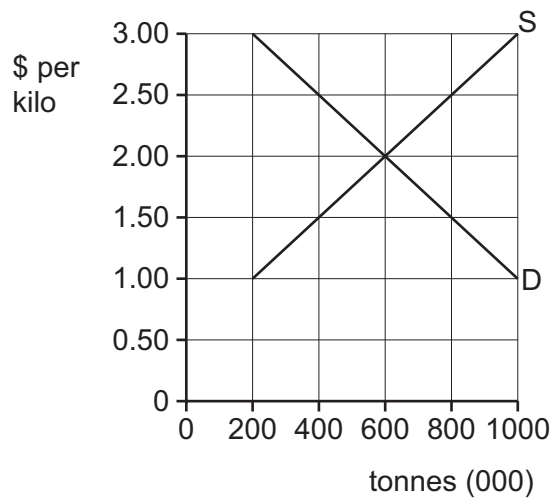
Whose income would be likely to increase as a direct result?

	Chinese steel producers	US government
A	yes	yes
B	yes	no
C	no	yes
D	no	no

- 5 A government retrain unemployed industrial workers to increase employment opportunities. The policy may have adverse effects on other government macroeconomic aims.

What illustrates this situation?

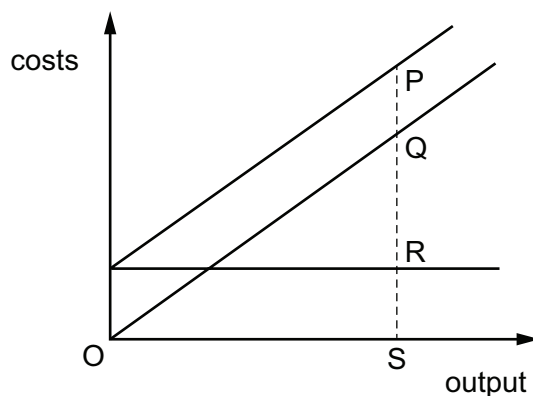
- A Better skilled workers may increase productivity and improve economic growth.
 - B Increased wage-earning capacity may lead to demand-pull inflation.
 - C More employed workers may reduce government expenditure on benefit payments.
 - D Near full employment may result in a more stable balance of payments.
- 6 The diagram shows the demand and supply for apples.



To what extent is the market for apples in disequilibrium at a price of \$2.50 per kilo?

- A Demand exceeds supply by 200 000 tonnes.
- B Demand exceeds supply by 400 000 tonnes.
- C Supply exceeds demand by 200 000 tonnes.
- D Supply exceeds demand by 400 000 tonnes.

- 7 The diagram shows the fixed costs, variable costs and total costs of a firm at output S.



Which distance represents the firm's variable costs?

- A** PQ **B** PS **C** QR **D** QS
- 8 The table shows the world output of iron ore and the average yearly price for four years.

year	world output of iron ore (billion tonnes)	average yearly price (\$ per tonne)
year 1	2.86	128
year 2	2.98	135
year 3	2.22	97
year 4	2.28	95

What can be concluded about the relationship between world output of iron ore and the average yearly price over the four years?

	world output	average yearly price
A	highest	highest
B	highest	lowest
C	lowest	highest
D	lowest	lowest

- 9 A firm has a high price elasticity of supply for its product.

What does this indicate?

- A It can increase revenue by reducing the price.
- B It can quickly respond to changes in price.
- C It keeps very low volumes of product in stock.
- D It produces a good that has close substitutes.

- 10 A manufacturer of medical supplies benefits from improved road links to its main markets.

What benefit definitely occurs as a result?

- A increased average revenue
- B increased external economies of scale
- C increased internal economies of scale
- D increased market share

- 11 Which row shows an essential characteristic of competitive markets and monopoly markets?

	competitive markets	monopoly markets
A	many buyers	single seller
B	many sellers	single buyer
C	single buyer	many buyers
D	single seller	many sellers

- 12 A student has nothing to do on a Friday evening. She withdraws \$5 from the \$100 she has in a savings account and buys a present to take to a party, to which admission is free.

What does this involve?

- A an opportunity cost equal to \$95
- B an opportunity cost equal to other goods she could have bought for \$5
- C no opportunity cost, as entrance to the party is free
- D no opportunity cost, as she had no better way of using the time

- 13 The development of artificial intelligence in machines raises the productivity of capital.

What will be the effect of this?

- A The costs of production will increase.
- B The demand for capital will increase.
- C The price of capital will fall.
- D The supply of capital will decrease.

- 14 Which combination is necessary for the construction of a consumer prices index?

	a base year	price stability	weights
A	yes	yes	yes
B	yes	no	yes
C	yes	no	no
D	no	yes	yes

- 15 A government removed the quota on goods imported into the country.

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

- A a decrease in demand for domestic production
- B a decrease in domestic unemployment
- C a decrease in exports
- D a decrease in the balance of trade deficit

- 16 What is an advantage of a country having a market economic system with a large private sector?

- A Firms can become unprofitable if they do not produce what consumers want.
- B Market forces often fail to ensure maximum benefits for society.
- C Some goods may not be provided at all or not in sufficient quantity.
- D There is an unequal distribution of income which can increase over time.

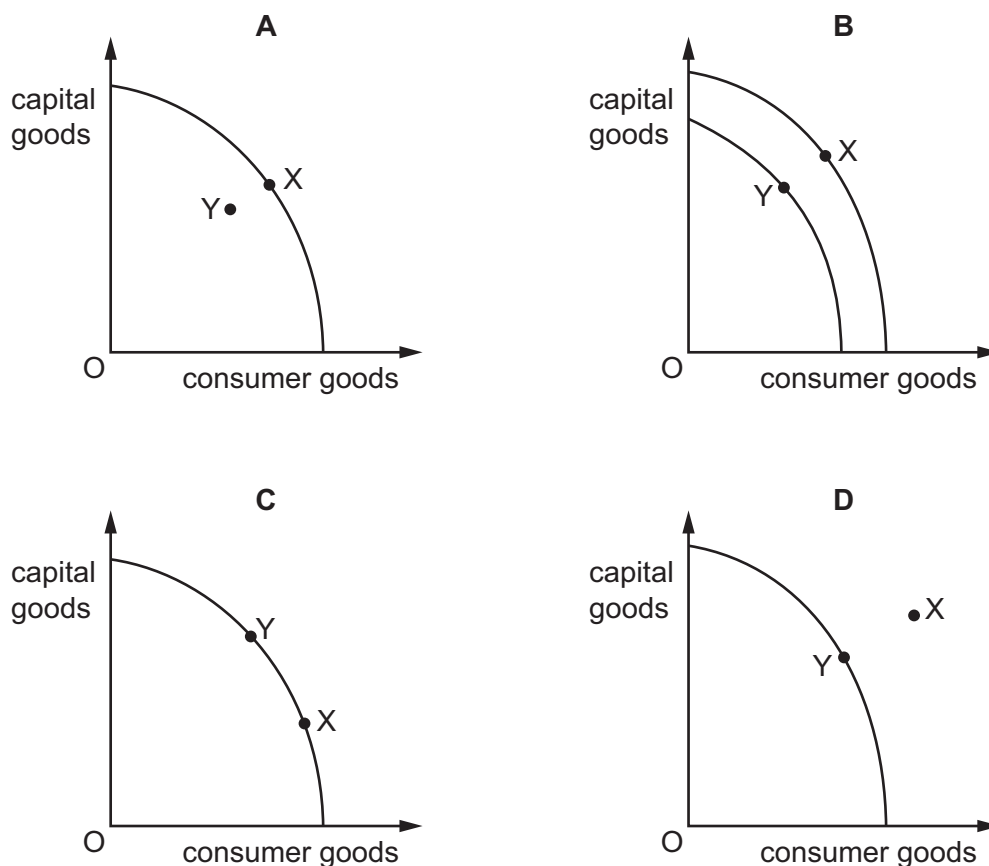
- 17 What is an example of a fiscal policy measure?

- A increasing the exchange rate
- B reducing the power of trade unions
- C reducing the rate of corporation tax
- D setting a lower interest rate

- 18 Why would an increase in the interest rate potentially lead to lower inflation?
- A Consumers will be more willing to save when interest rates are high.
 - B Consumers will be more willing to spend when interest rates are high.
 - C Producers will be more willing to borrow from banks when interest rates are high.
 - D Producers will be more willing to invest when interest rates are high.
- 19 Which government action will **not** add directly to the quantity or quality of human resources?
- A improvement in health facilities
 - B investment in education and training
 - C provision of better food and nutrition
 - D reclamation of land from the sea
- 20 What is a likely cause of economic growth?
- A decreased employment
 - B decreased investment
 - C decreased productivity
 - D decreased taxation

- 21** An economy experiences a recession and moves from full employment to 5% unemployment.

Which movement from X to Y on the PPC diagram shows the consequence for the economy?



- 22** The table shows how three people, X, Y and Z, spend their income.

	person X	person Y	person Z
food, clothing and housing	30%	25%	50%
entertainment and leisure	35%	35%	25%
luxury goods	35%	40%	25%

What is the likely order of income, from lowest income to highest income, for these three people?

- A** Y → X → Z
- B** Y → Z → X
- C** Z → X → Y
- D** Z → Y → X

23 Why would standards of living fall when there is a recession?

- A** The government would increase taxes to combat the recession.
- B** The purchasing power of households would fall.
- C** The value of the domestic currency would increase.
- D** There would be a rise in the level of immigration.

24 What is the purpose of an economy's production possibility curve (PPC)?

- A** It answers the question of what to produce in an economy.
- B** It enables microeconomic decisions to be taken by firms.
- C** It measures the supply of goods and services available in an economy.
- D** It shows the productive capacity in an economy at a point in time.

25 The governments of low-income countries often allow foreign multinational companies (MNCs) to mine minerals in their country.

Which conflict between benefit and cost might this cause the low-income countries?

	benefit	cost
A	improved balance of trade	training by the MNCs
B	higher employment	loss of a finite resource
C	increased profits for the MNCs	efficient production
D	more sustainable development	economic growth

26 The table shows some economic indicators.

Which increase in the first indicator is **most** likely to lead to an increase in the second indicator?

	first indicator	second indicator
A	budget surplus	consumer saving
B	consumer spending	unemployment
C	inflation	trade surplus
D	productivity	living standards

27 What is the definition of *foreign exchange rate*?

- A the difference between emigration and immigration
- B the difference between the values of imports and exports
- C the price of one currency in terms of another
- D the price of one good in terms of another

28 Which activity is correctly linked to the organisation that provides it?

	organisation	activity
A	central bank	regulate the rate of inflation
B	central bank	set direct tax rates
C	commercial bank	manage the government's financial accounts
D	commercial bank	safeguard the country's foreign reserves

29 Which topic is **not** included in microeconomics?

- A consumer demand
- B economies of scale
- C forms of competition
- D inflation

30 What is likely to cause an immediate decrease in the size of the labour force?

- A a fall in the average size of families
- B a fall in the birth rate
- C a reduction in the age of retirement
- D an increase in net immigration

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