Cambridge Assessment International Education

Cambridge O Level

ECONOMICS **2281/12**

Paper 1 Multiple Choice **May/June 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 What is part of the economic definition of scarcity?

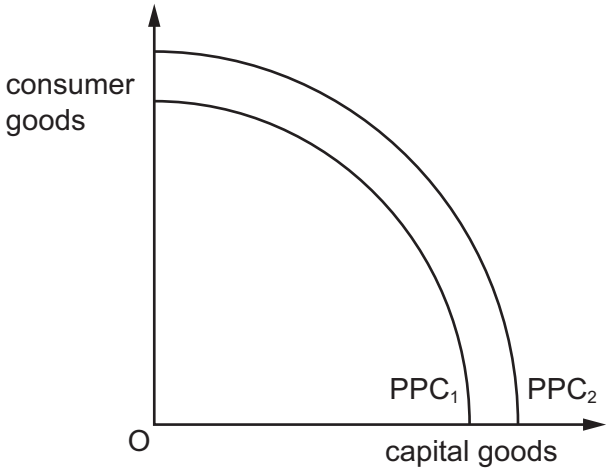
A high levels of taxation

B low levels of investment

C unequal distribution of income

D unlimited consumer wants

2 A country's production possibility curve (PPC) moves from PPC_1 to PPC_2.



What could cause this movement in the PPC?

	better education	higher investment	lower unemployment
A	false	false	true
B	false	true	false
C	true	false	true
D	true	true	false

3 A government spends $100m on subsidising wind farm construction instead of spending it on an increase in healthcare.

Which economic concept does this spending decision illustrate?

A external cost

B free goods

C market disequilibrium

D opportunity cost

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4 What is an example of a macroeconomic indicator?

A agricultural prices

B average earnings in the secondary sector

C real Gross Domestic Product (real GDP)

D total costs of German pharmaceutical firms

5 Good X is demanded in two areas, Y and Z. The table shows the amount of X demanded in these areas at different prices.

price of good X (US$)	quantity demanded per month	
	area Y	area Z
5	1000	200
10	800	150
15	600	100
20	400	50
25	200	0

What can be concluded from the table?

A Consumers in area Y are more willing and able than consumers in area Z to buy good X.

B Consumers in area Y are richer than consumers in area Z.

C Consumers in area Y want the good more than consumers in area Z.

D There are more consumers living in area Y than in area Z.

6 Which price elasticity of demand (PED) would cause an increase in total revenue if the price of the good increased?

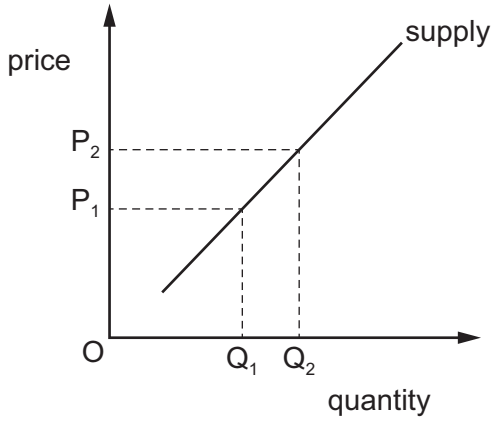
A perfectly elastic

B relatively elastic

C relatively inelastic

D unitary elastic

7 The diagram shows the supply curve for coffee.



The price of coffee increases from P_1 to P_2.

How would this benefit firms in the coffee industry?

A A higher price gives firms the ability to increase profits.

B A higher price gives firms the incentive to reduce total fixed costs.

C A higher price will encourage consumers to buy more coffee increasing total revenue.

D A higher price will encourage less firms to enter the market to supply coffee.

8 What might be an external benefit of an increase in the number of university graduates in an economy?

A an increase in revenue for the universities from fee-paying students

B an increase in tax revenue from a more productive labour force

C an increase in graduate employment as a percentage of the working population

D an increase in wages for graduates

9 The price of a good increases.

What could cause this?

A The cost of raw materials falls.

B The incomes of consumers rise.

C The price of a complement rises.

D The price of a substitute falls.

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10 Imposing a maximum price for a good is an example of which type of government policy?

A fiscal

B monetary

C regulation

D supply-side

11 Savers suffer as inflation rises to 4.4%.

Which function of money is most involved in this statement?

A means of deferred payments

B medium of exchange

C store of value

D unit of account

12 One of the functions of money is to act as a measure of value.

What does this mean?

A Money allows people to borrow and lend.

B Money allows people to save their surplus income.

C Money is used to buy goods and services.

D Money is used to compare the worth of different goods and services.

13 Which trade union activity will be beneficial for firms?

A balloting for industrial action to prevent redundancies

B campaigning to raise wages of trade union members

C instructing workers to strike over a safety dispute

D providing training which raises productivity of workers

14 What is **not** a variable cost of production?

A cost of fuel

B cost of raw materials

C extra pay for working additional hours

D rent of offices

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15 What is a definition of a firm's revenue?

A money received from sales

B sales volume

C surplus over costs

D tax payments

16 What could cause internal diseconomies of scale for a firm?

A a fall in demand for the products produced by the firm

B a merger with another firm that results in slower decision-making

C spending more on research and development to create new products

D the lack of skilled labour in the geographical area where the firm is based

17 A government decides to leave direct taxes unchanged but to increase indirect taxes.

What is this policy intended to achieve?

A to increase the value of the exchange rate

B to redistribute income from higher to lower income groups

C to reduce a budget deficit

D to reduce the rate of inflation

18 What is the **most** likely reason to increase government subsidies?

A to decrease consumption of a merit good

B to increase consumption of a merit good

C to decrease consumption of a demerit good

D to increase consumption of a demerit good

19 Which people are **most** likely to gain at a time of inflation?

A companies who sell abroad

B foreign tourists visiting the country

C those living on their savings

D those who are repaying borrowed money

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20 The government of country Z announces an increase in spending on work-place training.

What is the effect of this supply-side policy likely to be?

A a decrease in country Z's employment rate

B a decrease in country Z's exchange rate

C an increase in country Z's economic growth rate

D an increase in country Z's interest rate

21 The table shows real GDP in US$ billion for a country over a three-year period.

year	real GDP US$ billion
1	205
2	215
3	219

What does the GDP data indicate for the country between year 1 and year 3?

A a reduction in the rate of inflation

B an increase in the rate of economic growth

C the existence of economic growth

D the existence of economic growth per capita

22 What is a likely consequence of a falling level of unemployment?

A downward pressure on wage rates

B increase in welfare benefit payments

C rise in absolute poverty

D rise in income tax revenue

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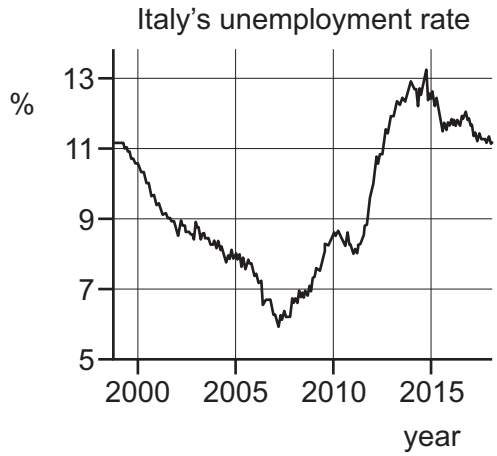
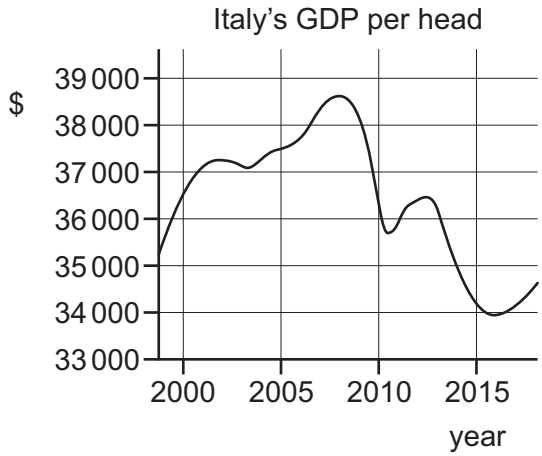
23 The diagrams show Italy's unemployment rate and GDP per head.





When do Italy's unemployment rate and GDP per head rise at the same time?

A 2000–2001

B 2007–2008

C 2009–2010

D 2014–2015

24 During a recession, many people in a city become unemployed and their incomes fall. Some people can no longer pay the rent on their houses or buy the food they need.

What is the effect of the recession in the city?

	absolute poverty	relative poverty
A	increases	increases
B	increases	unchanged
C	unchanged	increases
D	unchanged	unchanged

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25 The Peruvian government set itself the target of reducing the number of its population in poverty.

What change does **not** indicate that the Peruvian government had made progress towards this target?

A a rise in employment

B a rise in infant mortality

C a rise in life expectancy

D a rise in the level of adult literacy

26 What is **not** a reason for the decline in manufacturing industries in developed economies in recent years?

A growth of newly industrialised competitor countries

B invention of automated production methods

C rising costs of factor inputs in the steel industry

D considerable skill shortages as school-leavers prefer to work in the service sector

27 The table shows a country's exports and imports.

	$m
exports of goods	200
imports of goods	190
exports of services	35
imports of services	38

What was the country's balance of trade in goods and services?

A a deficit of $7 million

B a deficit of $13 million

C a surplus of $7 million

D a surplus of $13 million

28 Country X exports steel to country Y at a price below its cost of production. This has led to a fall in demand for steel produced in country Y.

What is a method of trade protection that country Y could use to reduce the imports of steel from country X?

A apply anti-dumping tariffs

B increase interest rates

C revalue the currency

D subsidise the export of steel

29 What would increase the demand for a country's currency on the foreign exchange market?

A a decrease in its inward investment

B a decrease in its rate of interest

C an increase in its exports

D an increase in its imports

30 Country X has a persistent deficit on the current account of the balance payments.

Which policy measure is **most** likely to improve this situation?

A lowering import quotas

B lowering income tax

C lowering import tariffs

D lowering export subsidies

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