Cambridge Assessment International Education

Cambridge O Level

ECONOMICS **2281/11**

Paper 1 Multiple Choice **May/June 2024**

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 a free good?

A free samples of a new product

B health services provided by the state

C second-hand clothing

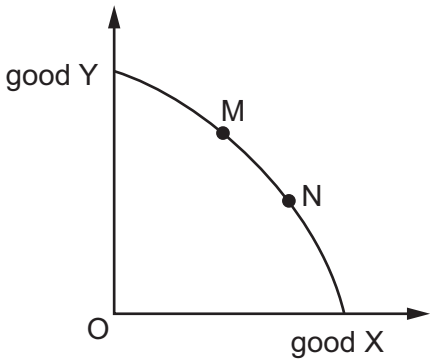
D sunlight

2 A firm is deciding whether to produce good X or good Y for the next five years. The predicted revenue for good X is $20 000 per year and for good Y is $18 000 per year.

What is the opportunity cost of producing good X?

A $18 000 **B** $20 000 **C** $90 000 **D** $100 000

3 The diagram shows a production possibility curve (PPC) for an economy.



What is the reason for the economy moving from point M to point N?

A decreased unemployment in industries producing good X

B improvement in technology used to produce good X

C increased productivity of workers producing good X

D increased resource allocation to the production of good X

4 What is **not** held constant when drawing a demand curve for a good or service?

A consumers' incomes

B tastes and preferences

C the price of substitutes

D the price of the good or service

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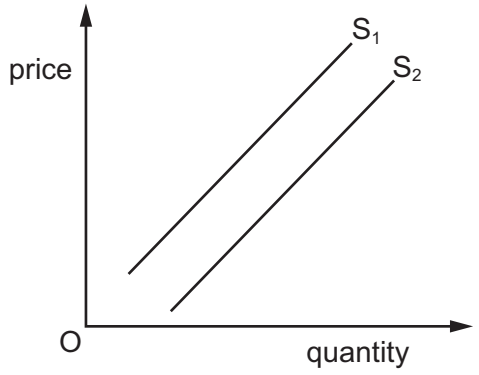
5 The diagram shows a shift in the supply curve for New Zealand's airlines from S_1 to S_2.



What is the most likely 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

6 What could cause the price of tea to increase?

A decrease in the demand for tea

B decrease in the price of a substitute good

C increase in the price of a substitute good

D increase in the supply of tea

7 A firm changes the price of its product and finds that its revenue increases.

Which combination of price change and price elasticity of demand would have caused this?

	price	price elasticity of demand
A	falls	between 0 and 1
B	falls	equal to 1
C	rises	between 0 and 1
D	rises	greater than 1

8 What could **not** occur in a market economic system?

A a monopolist supplying specialist goods to the market

B excessive pollution created by power stations

C governments setting minimum wages to relieve poverty

D private ownership of firms making defence equipment

9 What is a correct definition of a demerit good?

A a good which generates external benefits

B a good with higher private costs than social costs

C a good which is more harmful to consumers than they realise

D a good which provides no costs to third parties

10 Within the same firm, one employee is paid a higher wage than another employee.

Which reason for the difference in their wage could be considered discrimination?

A They are of different ages.

B They have different levels of education.

C They have different levels of productivity.

D They have different levels of work experience.

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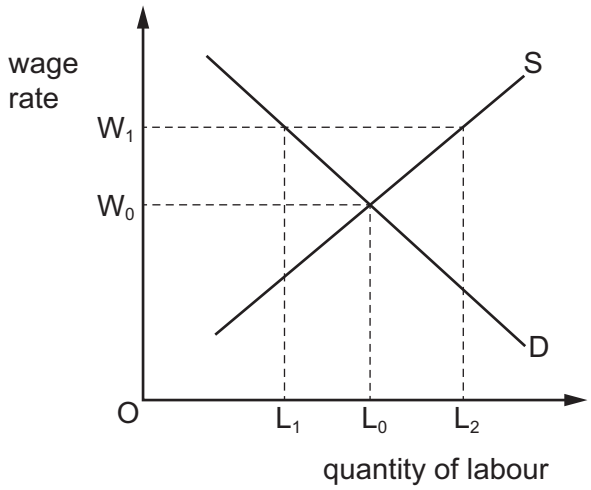
11 The diagram shows the demand and supply curve of labour for a firm. The initial wage rate is given by W_0 and the equilibrium quantity of labour employed is L_0.

A trade union that represents all of the workers negotiates a rise in wage rate to W_1.



What is the amount of unemployment that results from this wage rise?

A OL_1 **B** L_0L_2 **C** L_1L_0 **D** L_1L_2

12 A farmer introduces machinery to help workers at harvest time. The farmer also reduces the number of workers by 50%. As a result, the total harvest increases by 25%.

What has happened?

A Labour productivity has decreased and production has decreased.

B Labour productivity has decreased and production has increased.

C Labour productivity has increased and production has decreased.

D Labour productivity has increased and production has increased.

13 A firm has fixed costs of $20 and the following total variable costs.

output	10	20	30	40
total variable costs ($)	40	60	80	100

What happens to average total cost over this output range?

A It falls continuously.

B It falls then rises.

C It rises continuously.

D It rises then falls.

14 The table shows the costs and output of a firm.

total cost	$10 000
total variable cost	$8000
quantity	10

What is the average fixed cost of the firm?

A $200 **B** $800 **C** $1000 **D** $2000

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 What is likely to happen if a previously competitive market becomes a monopoly?

	barriers to entry	economies of scale	the size of the firm
A	decrease	decrease	increases
B	decrease	increase	decreases
C	increase	decrease	decreases
D	increase	increase	increases

17 Which macroeconomic aim, if achieved, is most likely to increase a government budget surplus?

A full employment

B income redistribution

C low inflation

D balance of payments stability

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18 The table shows the income tax rate paid by workers at different levels of income in selected years for a developed economy.

income band ($)	tax rate year 1 (%)	tax rate year 2 (%)
0 to 4999	0	0
5000 to 9999	10	0
10 000 to 19 999	20	10
20 000 to 29 999	30	30
30 000 to 49 999	40	50
50 000+	40	60

What is most likely to have been the economic objective of the government in changing the tax rates between year 1 and year 2?

A to reduce a current account deficit

B to reduce income inequality

C to reduce inflation

D to reduce structural unemployment

19 A government attempts to raise economic growth with a policy of reduced interest rates.

Which other government objective is most likely to be helped in the short run?

A lower unemployment

B price stability

C reduced income inequality

D reduced trade deficit

20 What is the definition of a supply-side policy?

A any policy designed to decrease inflation

B any policy designed to decrease unemployment

C any policy designed to increase imports

D any policy designed to increase productivity

21 Subsistence farming is the practice of growing crops and raising livestock sufficient only for one's own use without any surplus for trade.

Why is it difficult for a government to measure economic growth in an economy based on subsistence farming?

A Farmers' families consume most of their own produce.

B Farmers have low rates of saving.

C The size of harvest is dependent on the weather.

D The surplus produce is sold to the government.

22 What is necessary for a worker to be classified as unemployed?

	the worker does not have a paid job	the worker is prepared to work	the worker will accept the current wage rate
A	yes	no	no
B	yes	no	yes
C	yes	yes	no
D	yes	yes	yes

23 What is most likely to increase when the rate of inflation gradually changes from 2% to 8% in one year?

A the cost of updating existing price lists

B the level of business confidence

C the real income of fixed-income earners

D the real value of consumer debt

24 The introduction of a minimum hourly wage in an industry aims to reduce poverty among low-paid workers.

What is an advantage to workers of an effective national minimum wage?

A All workers get paid according to their level of productivity.

B Firms may look to increase capital equipment rather than labour.

C Levels of employment become more dependent on wage differences.

D Redistribution of a firm's income rewards labour rather than owners.

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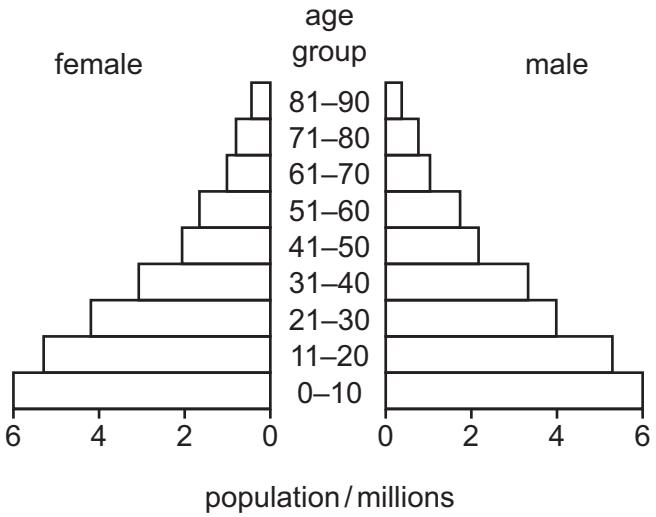
25 The chart shows the population pyramid for a country.



What is most likely to cause the population pyramid to be shaped in this way?

	birth rate	death rate
A	low	low
B	low	high
C	high	low
D	high	high

26 The table shows information on four countries.

Which country is likely to be the most developed?

	population (million)	Gross Domestic Product (GDP) ($ billion)	life expectancy (years)
A	100	800	51
B	200	6000	62
C	300	600	48
D	1000	1600	63

27 What is an advantage to a firm of specialisation at a national level?

A dependency on supplies from other countries

B greater competition from overseas firms

C greater depletion of the country's natural resources

D lower average costs due to economies of scale

28 What is an intended outcome of protecting infant industries from free trade?

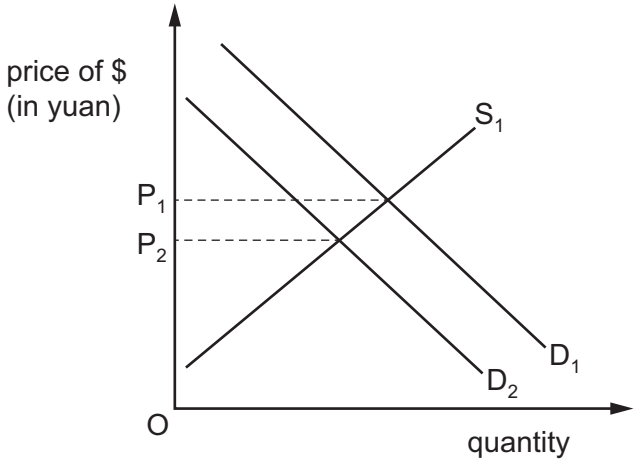
A to decrease the competitiveness of domestic firms

B to decrease the demand for exported goods

C to increase employment in domestic firms

D to increase the supply of imported goods

29 In the diagram, curves D_1 and S_1 relate to the demand and supply of the US dollar ($) against the Chinese yuan.



What is most likely to cause the demand curve for US dollars to shift from D_1 to D_2?

A a fall in Chinese interest rates

B a fall in US interest rates

C a faster growth rate in the US economy

D a reduction in the US government budget deficit

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30 Brazil had a balance of payments current account deficit of US$23.5 billion.

Which policy is most likely to reduce the current account deficit in Brazil?

A depreciate Brazil's currency

B reduce rates of income tax in Brazil

C reduce subsidies to Brazil's exporting firms

D reduce tariffs on Brazil's imports

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