Cambridge Assessment International Education

Cambridge O Level

ECONOMICS **2281/12**

Paper 1 Multiple Choice **October/November 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 Which economic question is **least** likely to arise as a result of scarcity?

A For whom will we produce?

B How will we produce?

C What will we produce?

D When will we produce?

2 What is opportunity cost?

A the allocation of resources in an economy

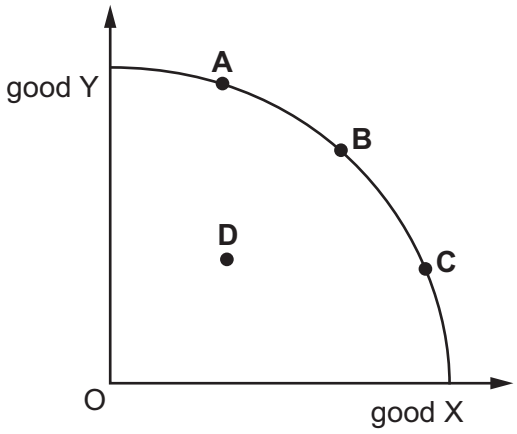
B the cost to the individual when they consume a good

C the lack of goods and services available to satisfy unlimited wants

D the next best alternative forgone when making an economic decision

3 The diagram shows a production possibility curve (PPC) for an economy that produces two goods, X and Y.

Which point shows the greatest opportunity cost of producing one more unit of good X?



4 A period of bad weather leads to a failure of the rice crop.

What is the effect on the market for rice?

A a shortage of rice and a fall in its price

B a shortage of rice and a rise in its price

C a surplus of rice and a fall in its price

D a surplus of rice and a rise in its price

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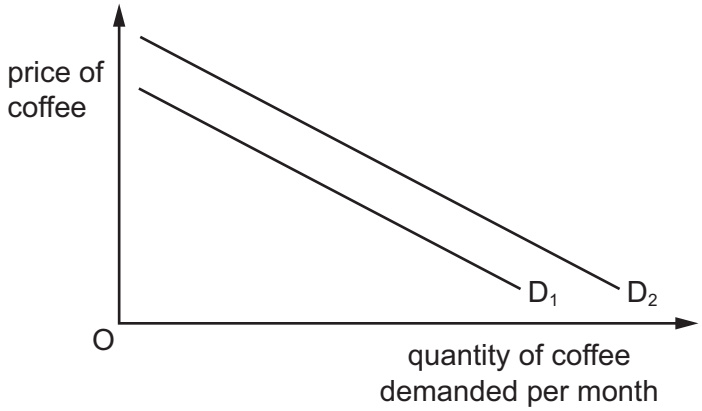
5 The diagram shows a change in demand for coffee.



What would cause the demand for coffee to change from D_1 to D_2?

A a good coffee harvest

B a rise in the price of substitute drinks

C a rise in the wages of coffee workers

D a successful advertising campaign for tea

6 The table shows the supply for a product at different prices.

price ($)	supply (units)
10	120
12	160
14	200
16	240
18	280

If the price changes from $12 to $14, what will be the change in supply?

A Supply will contract by 40 units and there will be a movement down along the supply curve.

B Supply will contract by 200 units and there will be an inward shift of the supply curve.

C Supply will extend by 40 units and there will be a movement up along the supply curve.

D Supply will extend by 200 units and there will be an outward shift of the supply curve.

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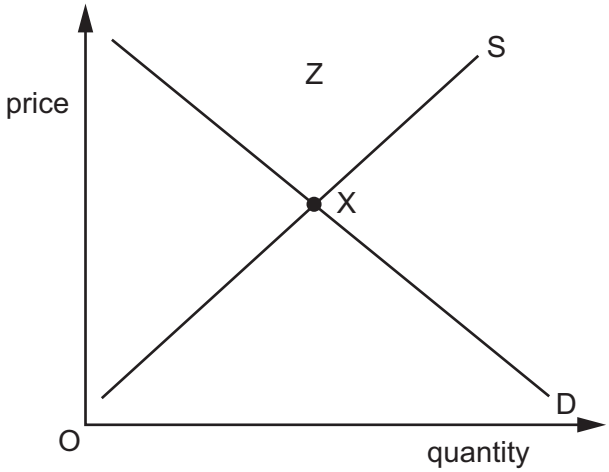
7 Which changes would move the equilibrium in the diagram from point X to point Z?



A a decrease in demand with a decrease in supply

B a decrease in demand with an increase in supply

C an increase in demand with a decrease in supply

D an increase in demand with an increase in supply

8 When the price of shirts rises from $8 to $10, the demand for shirts falls from 1000 to 500.

What is the value of the price elasticity of demand for shirts?

A greater than 1

B unitary

C less than 1

D zero

9 A government intends to build a new international airport in an area of outstanding natural beauty.

What would be an external cost of this decision?

A the cost of importing construction materials

B the enjoyment lost by those unable to use the countryside

C the increase in profits for local businesses

D the wages paid to the construction workers

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10 What is an important role of a central bank?

A attempts to achieve price stability

B issues credit cards

C provides loans to producers

D provides savings accounts for consumers

11 How would a change in the demand for labour affect the labour market in an occupation?

	change in demand for labour	change in the equilibrium wage	change in quantity of labour supplied
A	decrease	decrease	extend
B	decrease	increase	contract
C	increase	decrease	contract
D	increase	increase	extend

12 A fast-food multinational bought a food-ordering website, in order to allow the multinational's customers to download menus and make advance payments.

Which term best describes this merger?

A backward vertical

B conglomerate

C forward vertical

D horizontal

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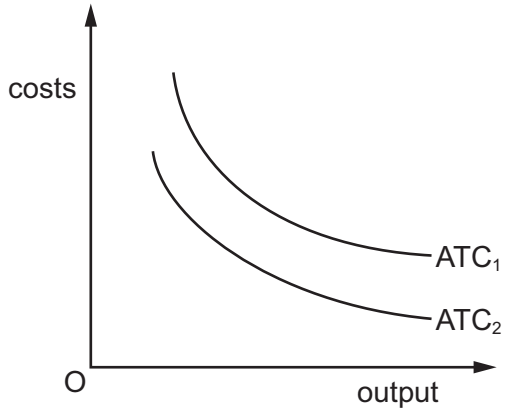
13 The diagram shows the average total cost (ATC) for a firm, in the long run.



What would cause the shift from ATC_1 to ATC_2?

A difficulties in controlling the firm

B external economies of scale

C managerial economies of scale

D technical economies of scale

14 What is most likely to encourage capital-intensive production methods in a low-income economy?

A expensive capital equipment costs

B grants from foreign aid programmes

C supplies of local low-cost labour

D a shortage of highly trained supervisors

15 A firm's average revenue is $20. It sells 1000 units.

What are the firm's total revenue and the price of the product?

	total revenue ($)	price ($)
A	20	20
B	1 000	50
C	20 000	20
D	20 000	50

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16 A competitive industry becomes a monopoly.

What is the most likely advantage for consumers?

A consumer choice may increase

B economies of scale may reduce prices

C more goods may be produced

D prices may be set by market forces

17 What will cause real GDP to rise in a country?

A nominal GDP rising at a faster rate than employment

B nominal GDP rising faster than inflation

C nominal GDP rising faster than the population

D nominal GDP rising

18 What is the money supply?

A the total quantity of foreign currency available within the economy

B the total quantity of money available within the economy

C the total quantity of money issued by the central bank

D the total quantity of money within commercial banks

19 Which macroeconomic policy is most likely to achieve economic growth and price stability at the same time?

A fiscal policy

B import barriers

C monetary policy

D supply-side policy

20 What is the definition of economic growth?

A It is an increase in the general level of prices over time.

B It is an increase in the level of a nation's output over time.

C It is an increase in the level of total demand over time.

D It is an increase in wages, interest, profits and rent over time.

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21 What causes cyclical unemployment in a recession?

A a permanent decrease in the demand for labour

B a permanent decrease in the supply of labour

C a temporary decrease in the demand for labour

D a temporary decrease in the supply of labour

22 The table shows government expenditure and revenue in selected years.

year	government expenditure $bn	tax revenue $bn
1	500	500
2	600	400
3	700	300

What might explain the changes in the government's budget over the period?

A a fall in the dependency ratio

B a fall in the exchange rate

C an increase in cyclical unemployment

D an increase in real GDP

23 The table shows changes in economic policies for four countries, **A**, **B**, **C** and **D**.

Which country is most likely to be following a policy of preventing deflation?

	money supply	government spending	taxation
A	decreasing	decreasing	decreasing
B	decreasing	decreasing	increasing
C	increasing	increasing	decreasing
D	increasing	increasing	increasing

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24 Workers in Switzerland earn more on average than workers in Mexico.

What is a likely cause of this?

A A greater percentage of workers in Switzerland work part-time than in Mexico.

B The average worker in Switzerland is more productive than the average worker in Mexico.

C The average worker in Switzerland pays more income tax than the average worker in Mexico.

D The unemployment rate is higher in Switzerland than in Mexico.

25 The table contains details on birth rate, death rate and net migration for several countries in a year.

	birth rate	death rate	net migration
Australia	13	7	850 000
Brazil	14	6	30 000
Nigeria	39	12	–300 000
US	12	8	4 500 000

What can be concluded from the table?

A Only one country, Nigeria, had a decreasing population.

B The country with the lowest birth rate had the lowest death rate.

C The country with the lowest death rate had the highest birth rate.

D The country with the lowest natural rate of increase in population was the US.

26 Which combination best describes the characteristics of a high-income economy?

	GDP per head (US$)	Human Development Index value	percentage of the labour force in the tertiary sector
A	high	high	high
B	high	high	low
C	low	low	high
D	low	low	low

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27 What might encourage international specialisation between countries?

A free trade

B inefficiencies in production

C labour immobility

D tariffs

28 A government wishes to stop the dumping of a specific imported good at a very low price.

Which method of protection would be most effective?

A apply an embargo to this good

B devalue the currency

C increase interest rates

D provide subsidies to home producers of this good

29 The price of the US dollar in terms of other currencies is set by the forces of demand and supply.

To what does this statement refer?

A an alternative method of trade protection

B the determination of the exchange rate in a fixed exchange rate system

C the determination of the exchange rate in a floating exchange rate system

D the increasing globalisation of international trade

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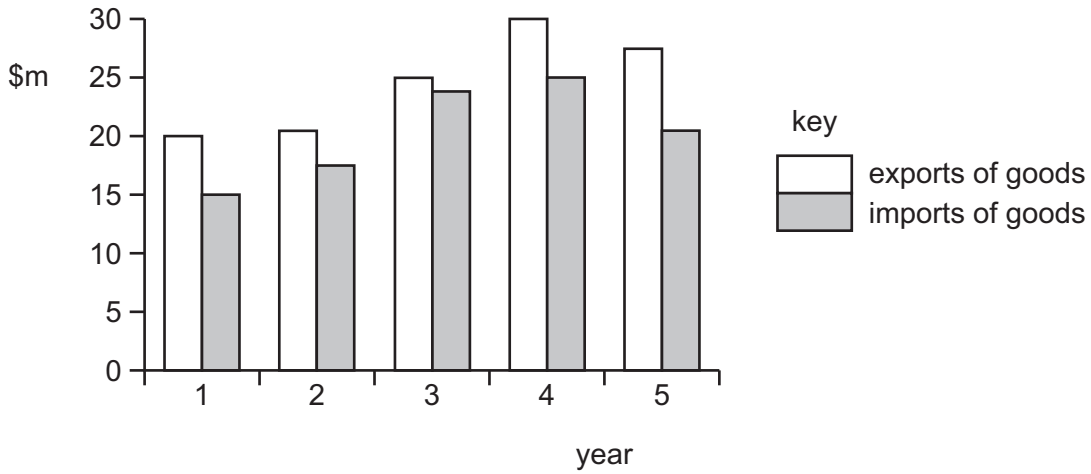
30 The diagram shows the value of a country's exports and imports of goods over five years.



Between which two years did the country have an increase in the value of imports and an improvement in its balance of trade in goods?

A 1 and 2 **B** 2 and 3 **C** 3 and 4 **D** 4 and 5

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