Cambridge Assessment International Education

Cambridge O Level

ECONOMICS **2281/12**

Paper 1 Multiple Choice **May/June 2025**

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 A university rejects 2000 qualified applicants who wish to study there.

Which factor of production could have caused the university to make this decision?

A infinite quantity of capital

B scarcity of labour

C surplus of land

D unlimited supply of enterprise

2 Sanjay, a coal miner, became unemployed when the only local mine closed. He lives in a village near family and friends and would like to stay in the same village.

What is the cause of Sanjay's occupational immobility?

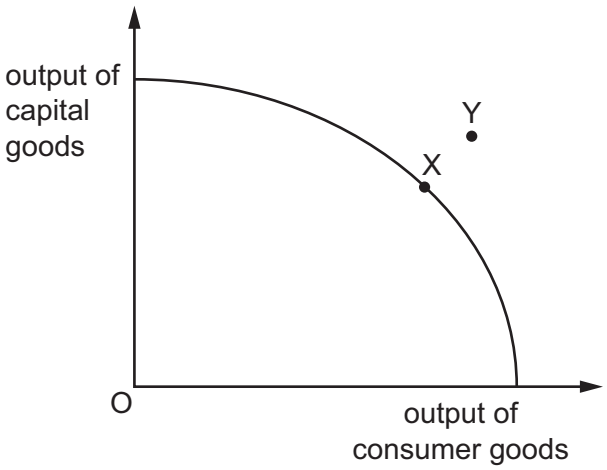
A a desire to live near family and friends

B no relevant skills

C the cost of travelling for work

D unaffordable housing

3 The diagram shows the production possibility curve (PPC) for an economy that is at point X.



Which change in the economy's labour market will allow it to reach point Y?

A employed workers become more productive

B unemployed workers find new jobs

C workers emigrate for higher wages

D workers retire at younger ages

4 What are both macroeconomic decisions?

	decision 1	decision 2
A	a school recruits more teachers	a firm sets the prices for its products
B	a central bank reduces money supply	a government spends more on defence
C	a government increases tax rates	a farmer decides which crops to grow
D	a household cuts its energy use	a worker accepts an offer of overtime

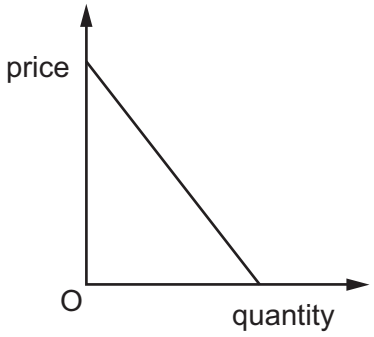
5 The table shows the quantity of coffee demanded per day and the quantity supplied per day.

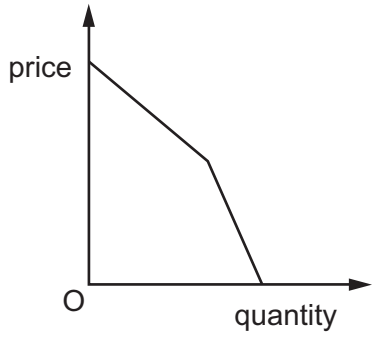
price ($) per kilo	demand (kilos)	supply (kilos)
12	16	26
11	18	23
10	20	20
9	22	17
8	24	14
7	26	11

At the equilibrium price, what will be the total expenditure on coffee?

A $10 **B** $20 **C** $200 **D** $400

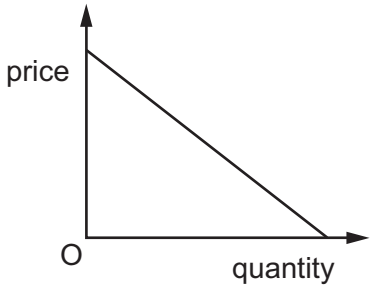
6 The diagrams show the demand curves for the only two buyers in a market.





What will be the shape of the market demand curve for the good?

A



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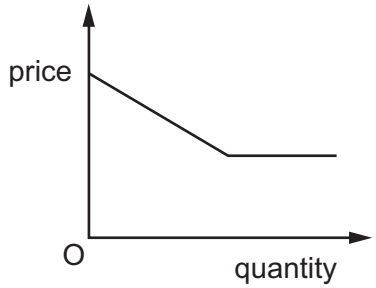

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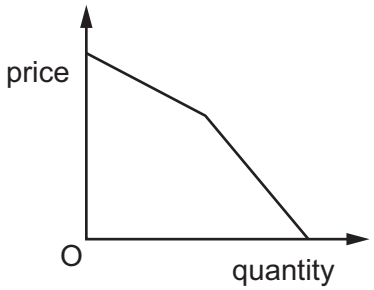

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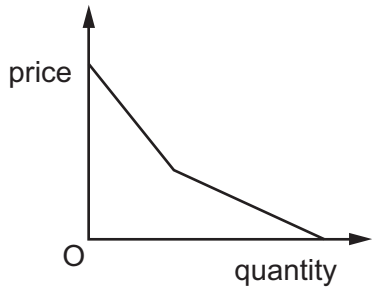

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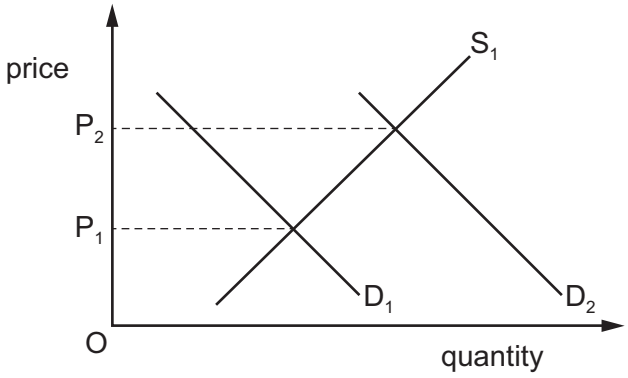
7 The diagram shows the market for ice cream and the effects of very hot weather.



If prices had remained at P_1 even during the hot weather, what was likely to have happened in the market for ice cream?

A equilibrium

B excess supply

C rising profits

D shortage

8 The supply of which good is likely to be most price elastic?

	the good is easily stored	time taken to produce the good
A	no	one day
B	no	one year
C	yes	one day
D	yes	one year

9 What is a characteristic of a demerit good?

A it is more beneficial to the consumer than they realise

B it is overconsumed in the free market

C it is underproduced in the free market

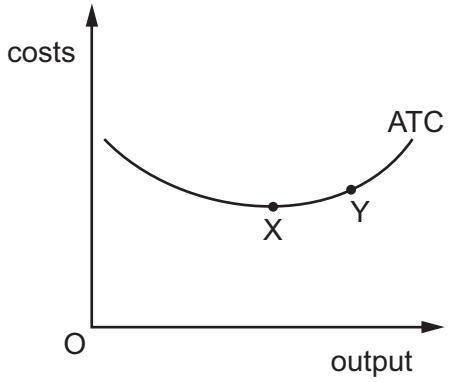
D it provides external benefits

10 The table shows the average wage in four countries, **A**, **B**, **C** and **D**.

In which country is there the greatest relative wage discrimination against female employees?

	male $	female $
A	100	80
B	120	60
C	140	100
D	300	200

11 The diagram shows the average total cost curve (ATC) for a firm after a merger.



Why is the movement from X to Y likely to result from this merger?

A Consumer demand is rising.

B Marketing economies of scale occur at higher levels of output.

C The firm faces problems of co-ordination between departments.

D The firm is negotiating discounts through bulk buying.

12 A restaurant employs two chefs who make all of the meals that are served to customers.

What is most likely to increase the productivity of the chefs?

A a decrease in the number of customers in the restaurant

B a decrease in the chefs' pay

C an increase in the quality of the food

D an increase in training for the chefs

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13 What are fixed costs?

A costs that are divided by the amount produced

B costs that are present when output is zero

C costs that change according to the level of output

D costs that decrease when output increases

14 The table shows the daily output and costs of four firms making chairs.

Which firm has the highest average cost of production?

	output (units)	fixed costs ($)	variable costs ($)
A	6	100	140
B	9	30	150
C	12	200	160
D	15	120	330

15 The only information known about a firm is the price it charges for its product and the quantity it sells.

What else can be concluded from this?

A its average cost and profit

B its average cost and total revenue

C its average revenue and profit

D its average revenue and total revenue

16 If a very competitive market becomes a monopoly, what will be likely to increase and what will be likely to decrease?

	increase	decrease
A	barriers to entry	economies of scale
B	consumer choice	prices
C	long-run profits	competition
D	output	market share

17 Many central banks around the world decreased interest rates during a recession caused by a pandemic.

What was the most likely macroeconomic aim of this policy?

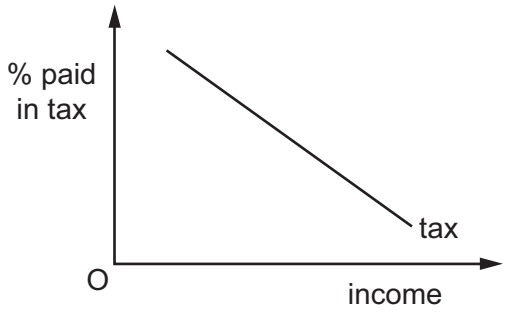
A economic growth

B increase in the current account surplus

C low inflation

D redistribution of income

18 The diagram shows the percentage of income taken by a tax at different levels of income.



Which term is used to describe the tax?

A indirect

B progressive

C proportional

D regressive

19 What is **not** a likely consequence of a rise in the budget deficit in a year?

A a rise in government borrowing

B a rise in the level of exports

C a rise in the national debt

D a rise in the rate of inflation

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20 When a government aims to encourage economic growth, it may adopt supply-side policies.

Which policy is a supply-side policy?

A increasing the money supply

B lowering interest rates

C reducing indirect taxation

D retraining unemployed workers

21 An economy that is fully employed is forecast to have an increase in total demand.

What is most likely to increase?

A the rate of absolute poverty

B the government budget deficit

C the level of unemployment

D the rate of inflation

22 A government conducted a labour force survey. It only included people of working age in the survey. The results are shown in the table.

	number of people
of working age	10 000 000
employed	7 000 000
unemployed	1 000 000
not seeking work	2 000 000

Which percentage of working-age people are in the labour force?

A 30% **B** 70% **C** 80% **D** 90%

23 A school leaver is unable to find a job immediately after completing their education.

Which type of unemployment is this?

A cyclical

B frictional

C regional

D structural

24 Which changes are likely to lead to the biggest increase in inflation in country X?

	demand for goods and services in country X	supply of goods and services in country X
A	5% decrease	5% decrease
B	5% decrease	5% increase
C	5% increase	5% decrease
D	5% increase	5% increase

25 In rural areas in developing countries, farmers grow food for their own consumption.

Why might this mean that the GDP is a weak measure of the standard of living in those countries?

A The food grown is not exported.

B The GDP does not include agricultural production.

C The GDP only refers to the public sector.

D The value of the food is unknown.

26 Japan's population has an increasing proportion of elderly people.

What is the likely impact of this on the Japanese economy?

A increased government budget deficit

B increased rate of economic growth

C increased rate of emigration

D increased use of labour-intensive methods of production

27 An Argentine product initially sells in the US for $50 when the exchange rate between the two countries is 5 pesos to 1 dollar ($).

The exchange rate changes to 10 pesos to 1 dollar and the price of the product remains unchanged in Argentina.

What will be the new price of the product in the US?

A $5 **B** $25 **C** $100 **D** $500

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28 Mining by multinational companies (MNCs) has both costs and benefits for the host nation.

Which activity is **least** likely to offer a benefit to the host nation?

A developing courses for training in mining

B investing in infrastructure to export minerals

C repatriating profits and dividends

D using new technology

29 The table shows the retail price at which the same book can be bought in four countries.

country	price in local currency	local currency
Australia	$14.99	Australian dollars
Canada	$11.99	Canadian dollars
New Zealand	$20.95	New Zealand dollars
United Kingdom	£6.99	GB pound

What additional information is required to make a meaningful comparison of the price of the book between the countries?

A direct tax rates

B exchange rates

C inflation rates

D level of import tariffs

30 What is a consequence of a surplus on the current account of the balance of payments?

A a decrease in GDP

B a decrease in unemployment

C a depreciation of the foreign exchange rate

D deflation

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