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Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

ECONOMICS **2281/13**

Paper 1 Multiple Choice **October/November 2015**

45 minutes

Additional Materials: Multiple Choice Answer Sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

* 2 3 7 1 6 1 7 4 5 9 *

READ THESE INSTRUCTIONS FIRST

Write in soft pencil.
Do not use staples, paper clips, glue or correction fluid.
Write your name, Centre number and candidate number on the Answer Sheet in the spaces provided unless this has been done for you.
DO **NOT** WRITE IN ANY BARCODES.

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 separate Answer Sheet.

Read the instructions on the Answer Sheet very carefully.

Each correct answer will score one mark. A mark will not be deducted for a wrong answer.
Any rough working should be done in this booklet.

This document consists of **10** printed pages and **2** blank pages.

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1 Governments often try to influence the supply of factors of production in their economies.

Which factor's supply is a government **least** likely to be able to increase?

A capital

B enterprise

C labour

D land

2 There has been increased concern about the way large firms exploit the environment.

What is the main reason for this concern?

A Large firms are unprofitable because of diseconomies of scale.

B Large firms combine together to fix prices.

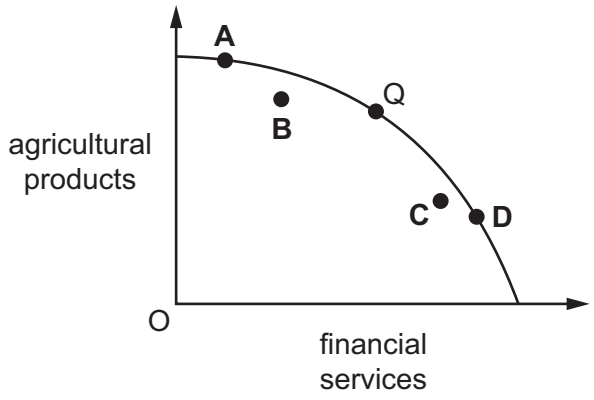
C The exploitation of resources is expensive.

D Unlimited wants will use up the finite resources.

3 The diagram shows a production possibility curve for an economy that can produce agricultural products or financial services. It is currently at point Q.

A crop disease decreases agricultural production but the financial services sector increases output as a result of an increase in demand.

To which point is the economy likely to move?



4 A person works at home making small cakes. She can make 30 cakes an hour and works for four hours a day. The total cost of the ingredients is $50 and she sells the cakes for $2 each.

What is the opportunity cost if she takes a working day for a holiday?

A $50

B $240

C 30 cakes

D 120 cakes

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5 Former planned economies in Eastern Europe have changed to market economies.

What is most likely to be observed in these economies?

A greater government controls over labour mobility

B increased production of capital goods rather than consumer goods

C less choice for consumers

D widespread privatisation of manufacturing and services

6 What is an example of a public good?

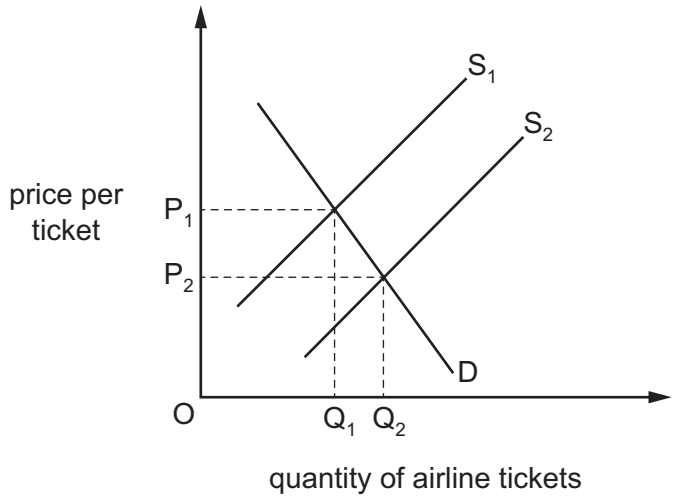
A a theatre performance

B an injection to prevent influenza

C road signs and road markings

D the collection of rubbish by a local authority

7 Air travel and rail travel are substitute forms of transport. The diagram shows the effect of new technology on the market for air travel.



What would be the most likely effect on the market for rail transport?

A a decrease in demand for rail transport

B an increase in the price of rail tickets

C an increase in supply of rail transport

D an increase in the total income of rail companies

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8 A developer built some large houses in a rural area which poorer people could not afford. The houses destroyed an area of natural beauty.

What type of market failure resulted from the development?

A ignoring external cost

B inequality of income

C lack of information

D price discrimination

9 Which statement is correct when comparing low-income earners with high-income earners?

A High-income earners are likely to save a higher proportion of any additional income received.

B High-income earners spend proportionately more of their income.

C Low-income earners are likely to spend a lower proportion of any additional income received.

D Low-income earners save proportionately more of their income.

10 In the United States (US) in 2011, 7.6 million public sector workers (36% of public sector workers) were members of trade unions, but only 7.1 million private sector workers (8% of private sector workers) belonged to a trade union.

What can be concluded from this information?

A 28% of all workers belonged to a trade union in the US in 2011.

B Collective bargaining was more a feature of the private sector than the public sector in the US in 2011.

C More people worked in the private sector than in the public sector in the US in 2011.

D The working population in the US in 2011 was 14.7 million.

11 Car assembly workers usually earn more income than agricultural workers.

What might explain this?

A Car assembly has safer working conditions.

B Car assembly involves more regular hours.

C Car assembly is usually in smaller firms.

D Car assembly produces a higher-value product.

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12 In some countries, former nationalised utilities, such as electricity, have been replaced by several public limited companies.

Which change has occurred in the electricity market?

A All profits are reinvested into the business by public limited companies.

B Governments decide which company consumers must use.

C Market prices are fixed by governments.

D Public limited companies pay dividends to shareholders.

13 There has been a move away from labour-intensive to capital-intensive production in developed economies.

Which type of activity remains labour-intensive?

A assembling cars

B designing clothes

C farming cereals

D manufacturing steel

14 In 2007, a huge industrial mining company attempted to buy another industrial mining company. The attempt failed.

In 2010, the same mining company made an offer to buy a company that sells potash, which is used to improve agricultural soils.

How may the mining company's attempts to buy these other companies be described?

	2007	2010
A	diversification	horizontal integration
B	horizontal integration	diversification
C	specialisation	vertical integration
D	vertical integration	specialisation

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15 The table shows the information that managers of a company have from a week of business activity.

number of employees	100
average wage	$900
value of output	$100 000
rent	$10 000
raw materials	$20 000

Assuming there are no other costs, what is the value of the fixed costs?

A $300 **B** $10 000 **C** $20 000 **D** $30 000

16 Governments use monetary policy such as increasing the rate of interest.

What is a result of increasing the rate of interest?

A It creates disincentives for wage earners.

B It discourages investment by entrepreneurs.

C It increases disposable income of consumers.

D It reduces government transfer payments.

17 Which statement about the meaning of government economic aims is correct?

A Economic growth means that a country's real output must rise over time.

B Full employment means that no one must be unemployed.

C Price stability means that the price of all goods and services must remain unchanged.

D Redistribution of income means that everyone must have equal incomes.

18 In 2013, a government wanted to keep inflation low and also to decrease unemployment. It decided to subsidise consumers wishing to purchase a house so that houses would become more affordable to them. At the time, there was a shortage of houses.

What is most likely to have happened to inflation, housebuilding and unemployment?

	inflation	housebuilding	unemployment
A	fall	no change	fall
B	fall	rise	rise
C	rise	no change	rise
D	rise	rise	fall

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19 A government decided to increase its spending on building schools and hospitals.

Which aim of government policy is most likely to be achieved by this increase?

A a balance of payments surplus

B a stronger exchange rate

C economic growth

D price stability

20 A consumer price index (CPI) consists of four items. The table shows the percentage price change for each item over a period of a year and the weight of each item.

Which price change will affect the level of the CPI most?

	item	% price change over 1 year	weight
A	food	+5	0.30
B	housing	+6	0.20
C	recreation	+3	0.40
D	transport	+4	0.10

21 GDP per head is regarded as a poor measure of living standards because it omits

A environmental changes.

B exports.

C the income of the poor.

D the profits of private businesses.

22 A large economy experiences a high rate of GDP growth.

What is **least** likely to be a result of this growth?

A Everybody in the economy will benefit.

B Some people in the economy will benefit more than others.

C Some people in other economies will benefit.

D There will be economic growth in other economies.

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23 In 2008, a country had an inflation rate of 4%. The table shows the inflation rate in the following years.

year	inflation rate %
2009	4
2010	2
2011	–2
2012	–1

In which year did deflation start?

A 2009 **B** 2010 **C** 2011 **D** 2012

24 In developed countries, an ageing population has caused changes in the population structure.

What is the result of this change?

A an increase in the dependency ratio

B employment conditions have improved

C medical treatment is available to all

D welfare services have improved

25 Assuming no other changes, the population is most likely to increase if there is a reduction in

A the birth rate.

B the death rate.

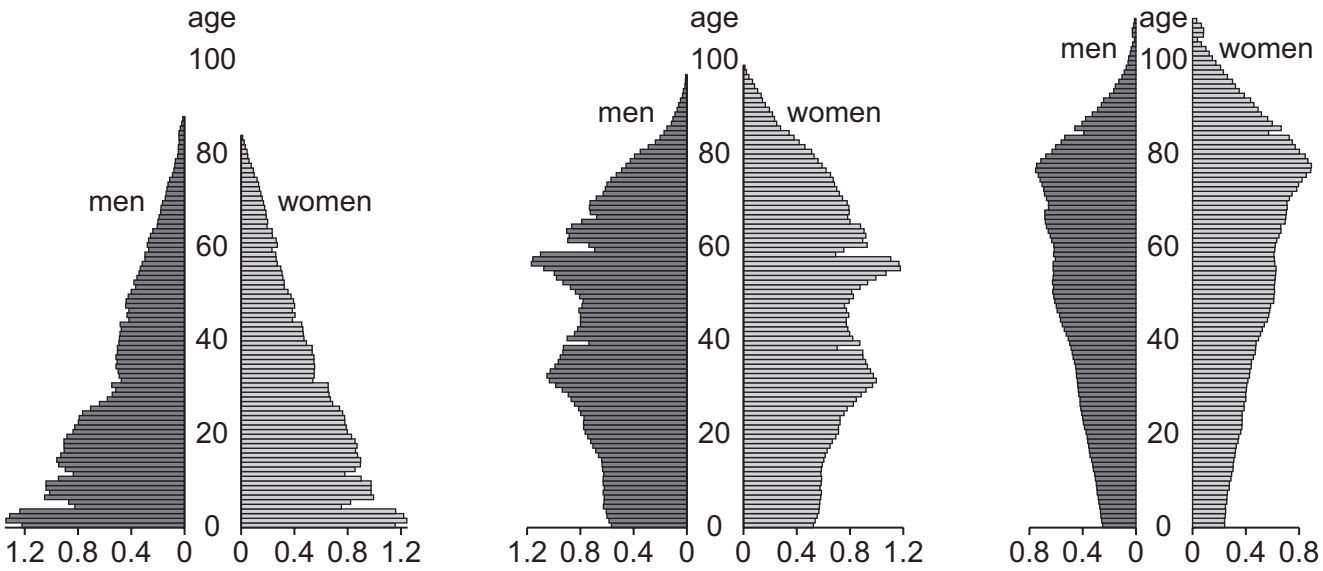
C the fertility rate.

D the inoculation rate.

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26 The diagram shows population data for Japan for 1950, 2005 and 2050.



Japanese population, millions 1950

Japanese population, millions 2005

Japanese population, millions 2050 (forecast)

What can be concluded from the diagram?

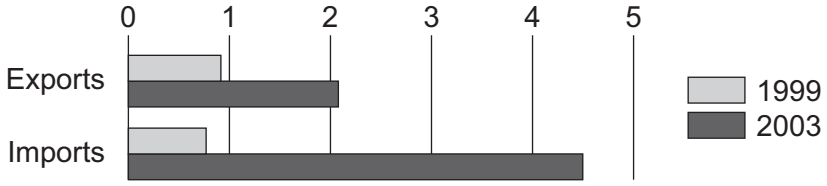
A Men outnumber women in each year.

B People are living longer over the period.

C The population has grown continuously.

D The workforce has grown continuously.

27 The diagram shows China's trade with Brazil for 1999 and 2003 in billions of dollars.



With reference to the diagram, what happened to China's trade balance with Brazil between 1999 and 2003?

A It experienced a falling surplus.

B It experienced a rising deficit.

C It moved from deficit to surplus.

D It moved from surplus to deficit.

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28 In August 2013, the Indian rupee reached a new low against the US dollar compared with the previous month.

What does this mean?

A India's balance of trade would worsen.

B Indian goods became cheaper in the US.

C Investors would wish to buy Indian rupees.

D More Indian students would study in the US.

29 What is most likely to encourage international specialisation?

A similarities in climate in different countries

B the ability to produce products more cheaply than other countries

C the discovery of oil in a country that had no oil before

D very high international transport costs

30 Turkey's agricultural sector employs 48% of the country's workforce, compared with 17% in the United States (US) and 3.9% in France.

What could be concluded from this?

A France is likely to import more agricultural produce than the US.

B The workers in France are not as productive as those in Turkey.

C Total agricultural production is likely to be higher in Turkey than in the US.

D Turkey is likely to be less developed than France.

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