UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

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ECONOMICS **2281/11**

Paper 1 Multiple Choice **May/June 2010**

1 hour

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

READ THESE INSTRUCTIONS FIRST

Write in soft pencil.
Do not use staples, paper clips, highlighters, 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.

There are **forty** 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 **11** printed pages and **1** blank page.

IB10 06_2281_11/5RP

UNIVERSITY of CAMBRIDGE International Examinations

1 Which terms summarise the nature of the economic problem?

A finite resources and limited wants

B finite resources and unlimited wants

C infinite resources and limited wants

D infinite resources and unlimited wants

2 Which statement about the factors of production is correct?

A A river from which a company draws water is called land.

B Raising finance for a company is called capital.

C Supervisors employed in a company are called enterprise.

D The owner of a company is called labour.

3 Which economic change would increase the problem of scarcity?

A a decrease in fish stocks

B a discovery of a new oil field

C an increase in labour productivity

D a reduction in waste

4 The government of a country with a rapidly increasing population decides to switch resources from investment to increased subsidies to farmers.

What is the opportunity cost of this decision?

A the profit earned by farmers

B the rent of the land on which food is grown

C the reduction in investment

D the wages of the farm workers

5 'The tertiary sector of the economy is increasing in importance'.

This statement is most likely to mean that a high proportion of the labour force is

A employed in agriculture.

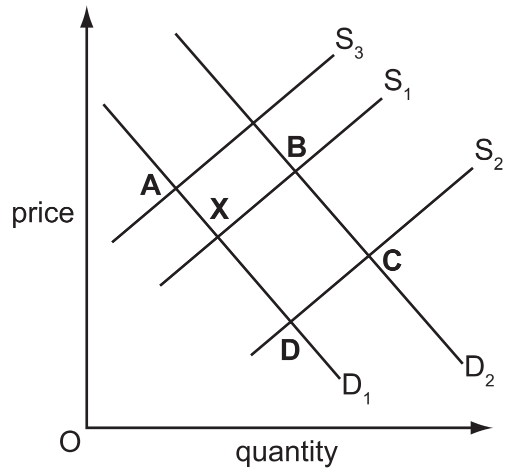
B employed in manufacturing.

C employed in the production of services.

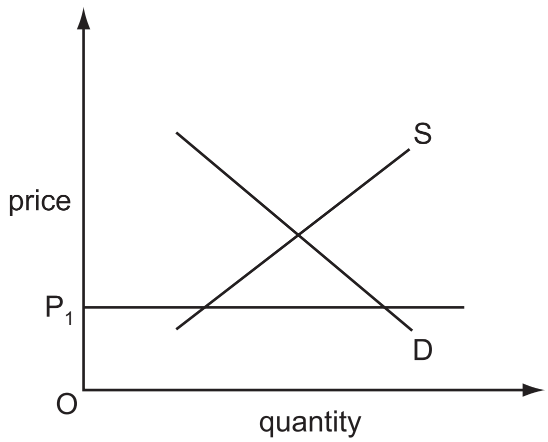
D unemployed but looking for work.

6 The diagram shows the market for fresh fish in the Caribbean with equilibrium point **X**. New, more efficient boats with lower running costs are then used.

Which point represents the new equilibrium?



7 The diagram shows the demand for and the supply of bread.



A maximum price P_1 is fixed by the government.

What is likely to be the immediate result of this?

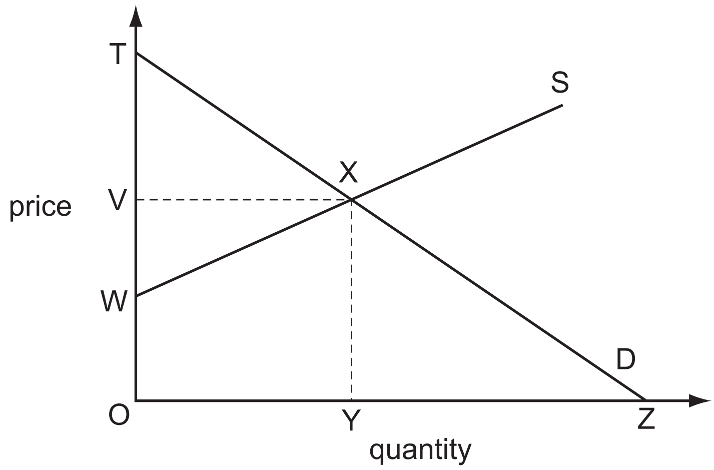
A a movement of the demand curve to the right

B a movement of the supply curve to the right

C a shortage of bread

D a surplus of bread

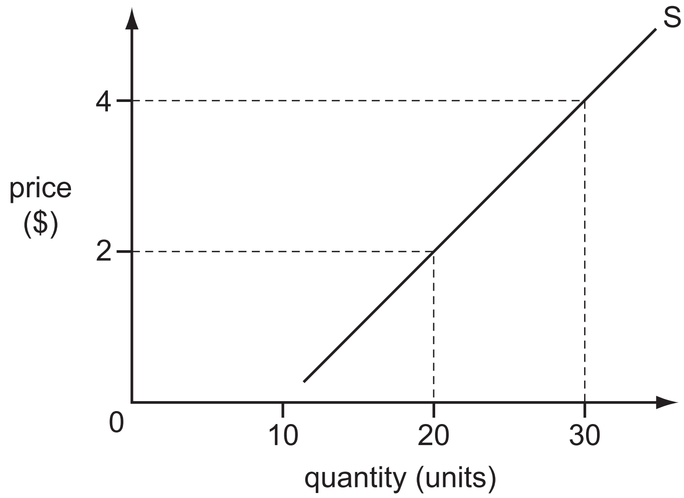
8 The diagram shows a market for wheat that is in equilibrium.



Which area represents the total revenue for wheat farmers?

A OTXY **B** OVXZ **C** OVXY **D** OWXY

9 The diagram shows the supply curve for a good.



What is the price elasticity of supply when the price rises from $2 to $4?

A 0.2 **B** 0.5 **C** 1 **D** 2

10 What could a government do to reduce external costs in the economy?

A Decrease direct tax for higher income earners.

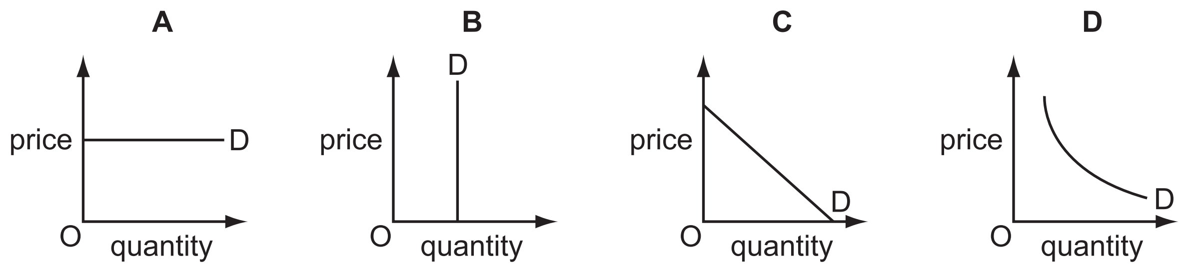
B Decrease direct tax for lower income earners.

C Increase indirect tax on petrol / gasoline.

D Remove indirect tax on tobacco.

11 The diagrams show possible demand curves for four commodities.

Which diagram shows a completely inelastic demand curve?



12 What is a function of a commercial bank?

A acting as the lender of last resort

B deciding what is a legal tender

C determining monetary policy

D providing overdrafts

13 A person is most likely to save more when there is an increase in a country's

A exchange rate.

B inflation rate.

C interest rates.

D money supply.

14 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.

15 What is a function of a trade union?

A to negotiate workers' contracts

B to promote workers to more responsible jobs

C to recruit workers for the firm

D to supervise the workers in the firm

16 What is an example of occupational mobility of labour?

A A Japanese car manufacturer locates in England.

B A nurse returns to work after her children have grown up.

C A student takes an evening job in a restaurant.

D Farm workers retrain as call-centre workers.

17 Which activity is correctly linked to the organisation that provides it?

	organisation	activity
A	central bank	regulate the rate of inflation
B	commercial bank	manage the government's financial accounts
C	commercial bank	safeguard the country's foreign reserves
D	stock exchange	make loans to public companies

18 In August 2008, Infosys, an Indian information technology company, bought Axon, a UK information technology company.

Which type of integration is this?

A conglomerate

B horizontal

C vertical backwards

D vertical forwards

19 What is correct about a monopoly?

A It may benefit from economies of scale.

B It must be privately not state owned.

C Its costs are always higher than those of a firm in perfect competition.

D It sells only one product.

20 South African companies are planning to undertake major investment in Zimbabwe in order to mine platinum.

If this investment occurs, what would happen in the short term to the supply of platinum, the price of platinum and the profits of the companies?

	supply curve	price of platinum	profits of the companies
A	no change	rise	rise
B	shift to left	no change	fall
C	shift to right	rise	rise
D	shift to right	fall	uncertain

21 Barilla, an Italian company, is the world's largest pasta maker. It also produces bread.

In 2006 its bread production contributed \$1.5 billion (bn) to its total revenue of \$5.1 bn. Overall profit was \$0.6 bn.

What was the total cost to Barilla of producing pasta and bread in 2006?

A \$2.1 bn **B** \$3.0 bn **C** \$3.6 bn **D** \$4.5 bn

22 A firm which sells its product for \$6 has the following total costs.

output (units)	0	10	20	30
total costs (\$)	40	100	120	150

Which statement is correct?

A Average cost is lowest when 10 units are produced.

B The firm breaks even when 20 units are sold.

C The firm has no fixed costs.

D Total variable costs fall continuously over these outputs.

23 What is likely to be found when there are many small firms in an industry?

A There are few barriers to entry.

B There is high expenditure on research and development.

C There is little competition.

D Very large capital costs are needed to establish a firm.

24 What is a direct tax?

A a tax on electricity

B a tax on imported goods

C a tax on services

D a tax on income and wealth

25 A government achieves a high rate of economic growth.

How may this conflict with other government aims?

A It may increase government income.

B It may increase incomes for the lower paid.

C It may increase the supply of exports.

D It may increase the volume of imports.

26 The directors of a firm have to discuss the following topics.

Which topic is **least** likely to be directly affected by the government's influence on the firm?

A health and safety laws

B the interest it pays on borrowed money

C the minimum wage it must pay its workers

D the replacement of the director of finance

27 Between 2002 and 2007, approximately 18 million Latin American households moved out of poverty.

Which change in the region is most likely to have caused this fall in poverty?

A an increase in economic growth

B an increase in inflation

C a reduction in employment

D a reduction in exports

28 One way in which a government may seek to increase geographical mobility of labour is by

A controlling firms locating in areas of low employment.

B giving grants to firms moving into areas of high unemployment.

C providing relocation expenses for workers.

D subsidising declining industries.

29 What is **not** usually an aim of a government?

A economic growth

B full employment

C inequality of incomes

D price stability

30 The retail price index of a country rose during a year from 200 to 240.

What was the annual rate of inflation?

A 20 % **B** 40 % **C** 240 % **D** 440 %

31 What name is given to the type of unemployment that occurs while people search for new jobs?

A cyclical

B frictional

C residual

D structural

32 Why is the Human Development Index (HDI) a better indicator of comparative living standards than Gross Domestic Product (GDP) per head?

A It includes international trade.

B It includes more measures of living standards.

C It is measured in money terms.

D It is more directly linked to economic growth.

33 What is likely to happen in an economy that experiences uncontrolled hyperinflation?

A Economic activity will cease.

B Inequality of income and wealth will cease.

C Internal trade will cease.

D Trust in money will cease.

34 Gross Domestic Product (GDP) per capita is commonly used as an indicator of the comparative level of development in different countries.

What does **not** lead to difficulties when using this as a comparison between countries?

A different climatic conditions

B different international exchange rates

C different population growth rates

D different rates of inflation

35 India has a more evenly distributed income than China but a greater proportion of its population living on less than $1 a day.

What can be concluded from this statement?

A China has a smaller proportion of very rich people.

B India has a greater proportion of poor people.

C Most of the population of India live on $1 a day.

D The average income in China is higher than that in India.

36 What is likely to happen in a developing country as it becomes more developed?

A A lower percentage of people will go to university.

B Average life expectancy will rise.

C The rate of population growth will increase.

D The tertiary sector will decline in importance.

37 The table shows the percentages (%) of consumer spending on different items in four countries which have similar geographical conditions and climate.

Which country is likely to have the highest standard of living?

	consumer spending on each item (%)		
	food	housing	entertainment
A	20	30	25
B	30	25	15
C	40	20	10
D	40	25	10

38 There was an increase in the value of the United States (US) dollar against the South African Rand.

What is a result of this?

A an increase in the number of exports from the US to South Africa

B an increase in the number of imports to the US from South Africa

C fewer people from the US spend holidays in South Africa

D more people from South Africa spend holidays in the US

39 Which policy would best enable a government to encourage greater specialisation in the use of its country's resources?

A encouraging diversification in industry

B protecting small businesses

C reducing tariffs on imports into its country

D subsidising job creation in rural areas

40 Vietnamese companies buy insurance from companies in the United States (US).

How will this transaction be recorded in the Vietnamese balance of payments?

	section	credit / debit
A	trade in goods	credit
B	trade in services	credit
C	trade in services	debit
D	current transfers	debit

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