



# Cambridge O Level

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## ECONOMICS

2281/11

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)

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## 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.

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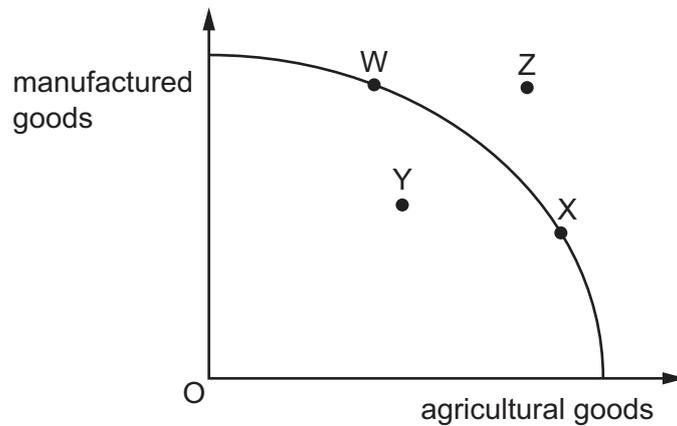
This document has **12** pages. Any blank pages are indicated.



- 1 What is likely to increase the occupational mobility of labour?
- A increasing entry requirements to professions
  - B increasing retraining of workers
  - C introducing job specialisation
  - D introducing subsidised transport
- 2 Sonia owns a takeaway food delivery service. She decides to expand the firm, buying more vans and hiring additional drivers.

Which factors of production were changed?

- A capital and labour
  - B capital and land
  - C enterprise and capital
  - D labour and land
- 3 The diagram shows a production possibility curve (PPC). The economy is using all of its available resources.



A government decides to encourage more production of manufactured goods instead of agricultural goods.

Which movement shows this policy change?

- A W to X
- B W to Y
- C X to W
- D Z to X

- 4 In 2020, to prevent the spread of a pandemic, many governments temporarily closed restaurants and cafés.

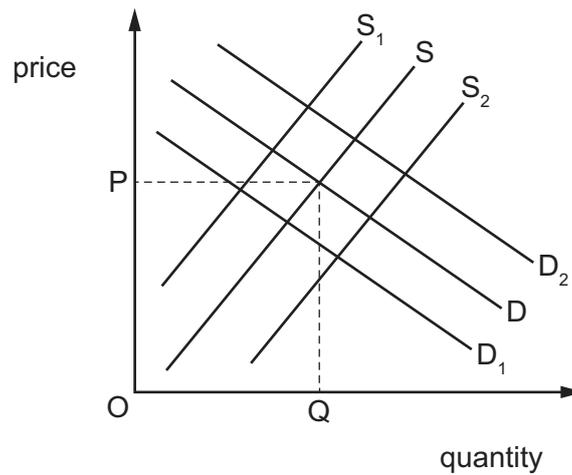
What would be a macroeconomic impact of such a policy?

- A Demand for food to be consumed at home would rise.
  - B Gross Domestic Product (GDP) would fall.
  - C The profits from restaurants and cafés would fall.
  - D Staff working in restaurants and cafés would lose income.
- 5 Good weather results in an increase in the demand for and supply of peaches.

How will this affect the price and quantity traded in the market for peaches?

|          | price of peaches | quantity of peaches traded |
|----------|------------------|----------------------------|
| <b>A</b> | fall             | fall                       |
| <b>B</b> | rise             | rise                       |
| <b>C</b> | rise             | uncertain                  |
| <b>D</b> | uncertain        | rise                       |

- 6 The diagram shows demand and supply curves for a product at its equilibrium price  $P$ .



How would the introduction of a subsidy be shown?

- A Demand would shift to  $D_1$ .
  - B Demand would shift to  $D_2$ .
  - C Supply would shift to  $S_1$ .
  - D Supply would shift to  $S_2$ .
- 7 The table shows the quantity demanded at different prices.

| price \$ | quantity demanded |
|----------|-------------------|
| 6        | 3                 |
| 5        | 4                 |
| 4        | 5                 |
| 3        | 7                 |
| 2        | 9                 |

For which fall in price is the demand price-inelastic?

- A from \$6 to \$5
- B from \$5 to \$4
- C from \$4 to \$3
- D from \$3 to \$2

- 8 The price elasticity of supply (PES) of coffee is calculated as +0.2 for the current year and +2.0 in the long run.

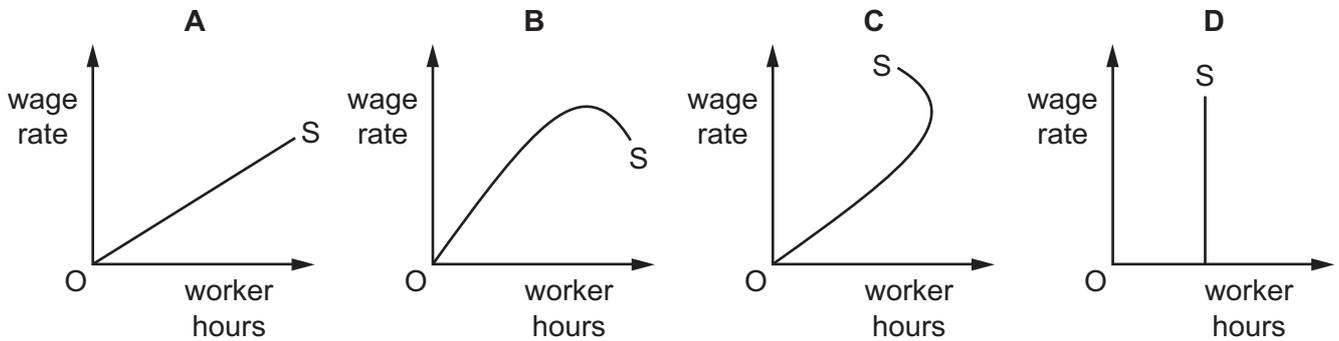
Why is the PES of coffee higher in the long run?

- A Coffee plants take several years to grow.  
 B Consumers will not buy coffee at higher prices.  
 C There are many substitutes for coffee.  
 D There are no stocks of coffee.
- 9 What would a person believe who wished to encourage the use of the market system?
- A people should have equal living standards  
 B people should have freedom of action  
 C profit maximisation is wrong  
 D the government should correct people's bad behaviour
- 10 What is **not** a form of money?
- A a banknote  
 B a cheque  
 C a coin  
 D a credit card
- 11 If interest rates fall, what will be the most likely effect on saving and borrowing?

|          | saving   | borrowing |
|----------|----------|-----------|
| <b>A</b> | decrease | decrease  |
| <b>B</b> | decrease | increase  |
| <b>C</b> | increase | decrease  |
| <b>D</b> | increase | increase  |

- 12 A bus driver initially works longer hours if the wage rate increases. As his earnings increase, there reaches a point when he prefers more leisure than extra work.

Which supply curve, S, represents this situation?



- 13 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

- 14 There has been an improvement in the transport infrastructure in India that reduces the costs of farming.

What is this an example of?

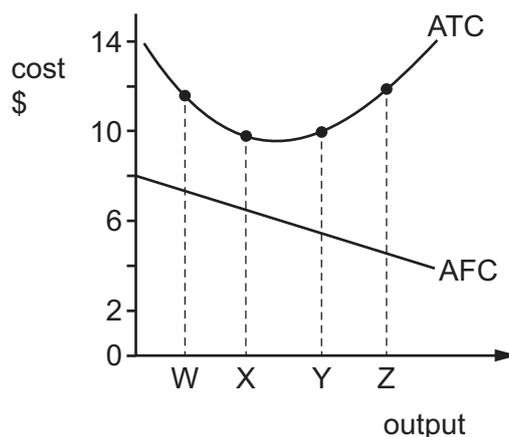
- A external diseconomies of scale
- B external economies of scale
- C internal diseconomies of scale
- D internal economies of scale

- 15 A firm chooses to become more capital-intensive.

What is **least** likely to have increased?

- A interest rates
- B minimum wages
- C the power of trade unions
- D the productivity of capital

16 The diagram shows the average total costs (ATC) and average fixed costs (AFC) for a firm.



Which statement is correct?

- A At output X, average variable costs are lower than average fixed costs.
- B At output Y, total variable costs are greater than total fixed costs.
- C Between outputs W and Z, total fixed costs are falling.
- D Between outputs W and Y, average variable costs have not changed.

17 What is a macroeconomic aim of a government?

- A high external costs
- B high sales tax
- C low unemployment
- D low wages

18 What is a principle of taxation?

- A equality between social cost and social benefit
- B fairness between taxpayers
- C profit maximisation by firms
- D tax revenue maximisation

- 19 Monetary policy often involves a change in which variables?
- A government expenditure or taxes
  - B interest rates or the money supply
  - C labour market or trade union laws
  - D tariffs or quotas
- 20 Which supply-side policy measure is most likely to enable a government to achieve its aim of full employment?
- A decreasing government spending on school buildings
  - B decreasing the number of teachers in schools
  - C increasing taxation on private school fees
  - D increasing the provision of enterprise skills in schools
- 21 Which policy decision is most likely to cause economic growth?
- A an increase in corporation tax rates
  - B an increase in interest rates
  - C an increase in the amount workers can earn before paying income tax
  - D an increase in the government's regulations for starting a new business
- 22 A government uses the labour force survey method to calculate unemployment.

What is required under this method for a person to be classified as unemployed?

|          | eligible for unemployment benefits | immediately available for work | actively seeking work |
|----------|------------------------------------|--------------------------------|-----------------------|
| <b>A</b> | no                                 | no                             | yes                   |
| <b>B</b> | no                                 | yes                            | yes                   |
| <b>C</b> | yes                                | yes                            | no                    |
| <b>D</b> | yes                                | no                             | no                    |

23 What is most likely to rise when the level of employment falls in a high-income economy?

- A consumer confidence
- B government expenditure on state benefits
- C government revenue from income tax
- D the rate of growth of real output

24 A Consumer Prices 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 |
|----------|------------|----------------------------|--------|
| <b>A</b> | food       | +5                         | 0.30   |
| <b>B</b> | housing    | +6                         | 0.20   |
| <b>C</b> | recreation | +3                         | 0.40   |
| <b>D</b> | transport  | +4                         | 0.10   |

25 The table shows the Human Development Index (HDI) value for a country in two years.

| year | HDI value |
|------|-----------|
| 1    | 0.467     |
| 2    | 0.609     |

What would **not** explain the change in the HDI value?

- A an increase in gender equality
- B an increase in income per head
- C an increase in life expectancy
- D an increase in years of schooling

26 Which combination of statistics is used to calculate the natural population growth of a country?

|          | 1 <sup>st</sup> statistic | 2 <sup>nd</sup> statistic |
|----------|---------------------------|---------------------------|
| <b>A</b> | birth rate                | net immigration           |
| <b>B</b> | death rate                | birth rate                |
| <b>C</b> | emigration                | death rate                |
| <b>D</b> | immigration               | emigration                |

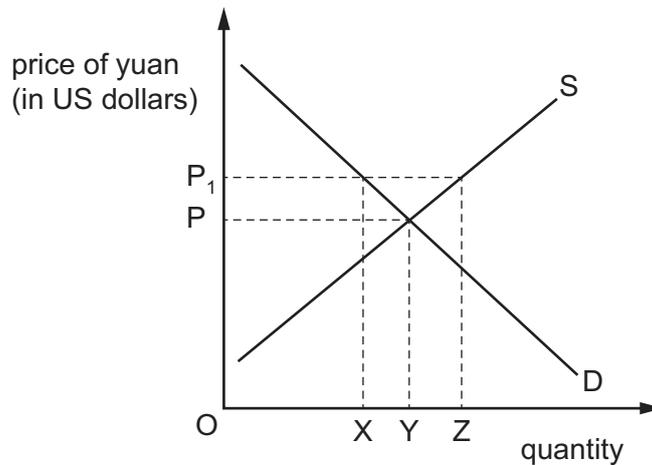
27 What will increase the level of specialisation in an economy?

- A** A computer manufacturer takes over an advertising company.
- B** A retail store issues its own credit card.
- C** A travel agent provides transport to the airport.
- D** A vehicle assembler reduces its range of vehicles.

28 What might an economist consider to be meant by the term *dumping*?

- A** foreign firms exporting waste products
- B** foreign firms producing goods at a lower cost than domestic firms
- C** foreign firms selling goods that are out of fashion
- D** foreign firms exporting products at a price below the cost of production

- 29 In the diagram, D is the demand curve for the Chinese yuan and S is the supply curve of the Chinese yuan.



The Chinese central bank wishes to set the price of the yuan at  $P_1$ .

Which action would it have to take?

- A buy XY yuan
  - B buy XZ yuan
  - C sell XY yuan
  - D sell XZ yuan
- 30 The table shows the values of the items in a country's current account in two years.

| item                          | year 1 (\$m) | year 2 (\$m) |
|-------------------------------|--------------|--------------|
| balance of goods and services | -30          | 0            |
| net primary income            | -30          | -20          |
| net secondary income          | ?            | ?            |
| balance of current account    | -50          | +10          |

How did the value of net secondary income change between year 1 and year 2?

- A decreased by \$10m
- B decreased by \$20m
- C increased by \$20m
- D increased by \$30m

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