

# **O-Level Economics**

## **Paper 2**

### **Unsolved Topical**

**Edition 2023-2024**

**Past Papers With Marking Scheme**  
**According to New Syllabus (2023-2025)**

**2015-2022**

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## **PREFACE**

Excellence in learning cannot be claimed without application of concepts in a dexterous way. In this regard one of the logical approach is to start in chunks; like chapter wise learning and applying the concept on exam based questions.

This booklet provides an opportunity to candidates to practice topic wise questions from previous years to the latest. Extensive working of Team MS Books has tried to take this booklet to perfection by collaborating with top of the line teachers.

We have added answer key / marks scheme at the end of each topic for the candidate to compare the his/her answer to the best.

MS Books strives to maintain actual spacing between consecutive questions and within options as per CAIE format which gives students a more realistic feel of attempting question.

Review, feedback and contribution in this booklet by various competent teachers of a subject belonging to renowned school chains make it most valuable resource and tool for both teachers and students.

With all belief in strength of this resource material I can confidently claim that it is worth in achieving brilliance.

Our sincere thanks and gratification to **Mr. Zubair Hussain** who took out special time to help compile and manage this booklet. We would also like to appreciate Economics faculty for reviewing and indorsing it.

### **REVIEWED & RECOMMENDED BY**

**Zubair Hussain**

Beaconhouse, LGS, Lyceum  
Green Hall Academy Gulberg  
0302-5557467

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## Finite Resources and Unlimited Wants

In 2013, an earthquake on the Iran/Pakistan border destroyed many factories and homes. Some officials wanted the Governments to rebuild the factories and homes, even though there would be an opportunity cost. Others suggested that some people should be encouraged to emigrate.

Q2(b)/21/M/J/15

- 1 (b) Explain why the economic problem can never be solved. [4]

Deposits in banks in Dubai rose by 40% in 2013. More financial companies are locating in Dubai. The growth in its financial sector is being accompanied by horizontal mergers between financial companies and workers becoming more specialised. The economy is becoming richer but the economic problem will never be solved here or elsewhere in the world.

Q6(a)/22/M/J/16

- 2 (a) Why can the economic problem never be solved? [2]

Countries have to decide how to use their scarce resources. A number of countries are devoting more of their resources to tourism. Some of the jobs in the industry are, however, low-paid and offer little job security. The average age of workers employed, for example, in hotels is relatively young although some older workers have spent their working life in the hotel industry.

Q7(a)/22/M/J/16

- 3 (a) What is meant by 'scarce resources'? [2]

Q1(a)/22/O/N/16

- 4 (a) Using information from the extract, explain how the Mints illustrate the economic problem. [2]

Nearly one million people in Cairo, the capital city of Egypt, live in crowded, unhealthy housing. One reason why people lack basic necessities, including adequate housing, is unemployment. In 2019, nearly 10% of Cairo's workers did not have a job. Other citizens of Cairo live in luxury, in houses costing more than \$1 million. Many of Cairo's rich adults grew up in rich families.

Q2(a)/22/M/J/21

- 5 (a) Identify **two** basic necessities, other than housing. [2]

Q2(b)/22/O/N/22

- 6 The economic problem results in choices and opportunity cost. People have to decide what job to do and where to live. In recent years Australia has recruited teachers from a number of countries including Canada, the UK and the US. Most of these teachers specialise in a single subject.

- (b) Explain the economic problem and why it is always likely to exist. [4]

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**Q2(b)/21/M/J/15**

- 1 (b)** Explain why the economics problem can never be solved.
- the economics problem is scarcity (1)
  - infinite wants (1) finite resources (1)
  - wants exceed resources (1) as wants grow faster than resources/growth of resources will not exceed growth of wants (1)

**Q6(a)/22/M/J/16**

- 2 (a)** Why can the economic problem never be solved? [2]
- Wants will grow more (1) than resources (1).
- Or:
- Wants are infinite/unlimited (1) whilst resources are finite/limited (1).

**Q7(a)/22/M/J/16**

- 3 (a)** What is meant by scarce resources? [2]
- Factors of production (1) that are limited in supply (1).

**Q1(a)/22/O/N/16**

- 4 (a)** Using information from the extract, explain how the Mints illustrate the economic problem. [2]
- What people would like to consume/wants (1) exceeding the maximum output the countries are capable of producing (1).
- Note.** no marks for just a definition of the economic problem.

**Q2(a)/22/M/J/21**

- 5 (a)** Identify two basic necessities, other than housing.
- Two from e.g:  
Food, water, clothing, healthcare and education.

**Q2(b)/22/O/N/22 Q6**

2(b)	<p><b>Explain the economic problem and why it is always likely to exist.</b></p> <p>Logical explanation which might include: The economic problem is finite / limited resources (1) and infinite / unlimited wants / wants exceed resources (1) scarcity (1). It is always likely to exist as wants grow faster than resources / wants are increasing (1) there will never be enough resources to produce all the products people would like to have (1). People are living longer / population is increasing (1) more resources are needed / some resources are being depleted (1).</p>	<b>4</b>
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**Economic and Free Goods**

A number of countries, including Morocco, capture water from fog. Water is used in the primary, secondary and tertiary sectors. In recent years, Morocco has increased the quantity and quality of its resources and has moved more of them into the tertiary sector. The quantity, quality and composition of a country's resources are influenced by a number of factors, including its birth rate. Morocco's birth rate fell from 19.9 in 2016 to 18.7 in 2018.

Q2(a)/22/O/N/21

1 (a) Define a *free good*.

[2]

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**Source material: Changes in Ecuador's economy**

<b>Ecuador Fact file</b>	<b>2019</b>		<b>2014–2016</b>
Population	18m	Change in price in Ecuador's oil	–50%
Number of Ecuadoreans living and working abroad	3m	Change in supply of Ecuador's oil	–8%

Oil makes up one third of Ecuador's exports. Ecuador has, however, decided to produce less oil and more of other goods and services. This decision has affected how products are made in Ecuador. For example luxury textile production, such as luxury scarves and jumpers, uses fewer capital goods than oil production. Tourism relies on natural resources including sunshine and beaches.

One reason Ecuador's government has encouraged less reliance on oil, is the large changes that often occur in the oil market. Between 2014 and 2016, demand for Ecuador's exports fell which caused a significant reduction in export revenue. This reduction, combined with a decrease in government spending, caused the country's output to decline.

Between 2016 and 2019, there was some improvement in Ecuador's economy. Incomes and household spending increased and more cars were purchased. Table 1.1 shows the GDP per head (\$) and car ownership (per 1000 people) in selected countries in 2019.

**Table 1.1 GDP per head (\$) and car ownership (per 1000 people) in selected countries 2019**

<b>Country</b>	<b>GDP per head (\$)</b>	<b>Car ownership (per 1000 people)</b>
Ecuador	6 200	160
New Zealand	44 000	865
Senegal	1 600	50
Spain	32 000	650
Switzerland	83 000	720
Uruguay	18 000	300

Ecuador's government borrowed from China to spend on building more roads. The construction of these roads increased employment and was expected to influence transport costs in the long run.

Between 2016 and 2019, Ecuador's textile industry benefited from the improvement in the road network. Despite strong competition from foreign textile firms, Ecuador's textile firms increased the scale of their production. Wages paid in the textile industry did not rise significantly. A very small wage increase can affect trade union activity and emigration.

Some of Ecuador's workers emigrate to find jobs in other countries, particularly Italy, Spain and the US. These workers have a range of skills and they work in a variety of jobs abroad, some of which provide training. Many, but not all, workers send money home to their families.

**Q1(c)/23/O/N/22**

**2 (c)** State why sunshine has no opportunity cost.

[2]

**Q2(a)/22/O/N/21**

**1 (a)** Define a free good.

No opportunity cost (1) a good that takes no resources/factors of production to produce / naturally abundant in supply / does not use scarce resources (1).

**Q1(c)/23/O/N/22 Q2**

**1(c)** State why sunshine has no opportunity cost.

It is a free good (1).

In unlimited supply / not scarce / a renewable source of energy (1).

Does not take resources to produce it / nothing needs to be sacrificed to use it / no alternative / substitute so no opportunity cost (1).

It is there naturally (1).

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## Definitions of the Factors of Production and their Rewards

Q2(a)/22/O/N/15

- 1 (a) Define 'resources'. [2]

In 2014 Cuban doctors were given pay rises that significantly increased their salaries. This made doctors' pay more than twice that received by nurses. Cuba is devoting more resources to both medical care and tourism, altering the country's production possibility curve. Living standards are increasing in the country but at a slower rate than some other nearby countries.

Q7(b)/21/M/J/16

- 2 (b) Explain, giving examples, **two** factors of production used in the tourism industry. [4]

Indonesia's output is influenced by its factors of production. A production possibility curve diagram can be used to show this relationship between resources and output. Indonesia does have extensive fishing waters but does not actually catch many fish. Most of its fishing firms are small and they compete against much larger foreign firms. These larger foreign firms have been attracted into Indonesia's waters because of increasing demand for fish. The price elasticity of demand for different types of fish has changed in the last few years.

Q2(a)/22/M/J/17

- 3 (a) Identify the **two** human factors of production. [2]

In Pakistan there is a limited choice of cars to buy. The country has a population of approximately 190 million but only about 120 000 cars a year are produced there. The firms producing cars in Pakistan are protected from foreign competition by a range of methods of trade protection.

Q4(a)/22/O/N/17

- 4 (a) Name **two** factors of production used in making cars. [2]

Farms in the USA are getting larger. One dairy farm in the state of Indiana has over 38 000 cows. Farms in the USA compete with farms in both developed and developing countries. The value of the farms' exports of milk appears in the trade in goods section of the current account of the USA's balance of payments.

Q3(a)/22/M/J/18

- 5 (a) Identify **two** examples of capital goods that may be used by a farm. [2]

The price of gold rose in 2016. This encouraged owners of gold mines to employ more resources to increase the supply of gold. The level of competition in gold production varies in the different gold producing countries. A number of countries, including India, impose a tariff on imported gold.

Q7(a)/22/O/N/18

- 6 (a) Identify **two** factors of production involved in mining gold. [2]

High technology (hi-tech) firms use a range of resources including labour and land. One US hi-tech firm has produced a new price index which it claims is more accurate than the Consumer Prices Index (CPI). Central banks try to achieve the most accurate measure of inflation because inflation has effects on a range of people, including savers and borrowers, and on the level of investment in a country.

Q7(a)/23/O/N/18

- 7 (a) Identify the *reward* received by labour and the *reward* received by enterprise. [2]

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In March 2017, Peru was hit by floods and the strongest winds in decades. Roads, bridges, houses and capital goods were destroyed. It is expected that the damage caused will affect Peru's Human Development Index (HDI) and economic growth rate. In 2016, Peru experienced a 4% economic growth rate which was higher than the growth rate of the USA.

Q4(a)/22/M/J/19

**8 (a)** Define a *capital good*. [2]

In May 2017, the price of olive oil rose by more than 10%. This was caused by a drought in Greece, Italy, Spain and Tunisia, the major producing countries. Global supply was forecast to fall by 14% in 2017. Demand for olive oil fell in Europe, but rose in a number of other countries including Australia, Brazil and China. Some basic food items, including bread and rice, are taxed in some countries but are subsidised in other countries.

Q5(a)/22/O/N/19

**9 (a)** Identify **two** examples of land used in growing agricultural crops. [2]

Q1(b)/21/M/J/20

**10 (b)** Identify **two** rewards to factors of production. [2]

Q1(b)/21/M/J/21

**11 (b)** Identify **two** examples of capital goods. [2]

Consumers in Uruguay are eating more processed foods. Factors of production, including enterprise, have responded to this change. Firms in the processed food industry have become more capital-intensive. All of Uruguay's industries were affected by the rise in its inflation rate, from 6.2% in 2017 to 7.7% in 2018.

Q3(a)/22/M/J/21

**12 (a)** Define *enterprise*. [2]

Q5(a)/21/M/J/22

**13** Singapore is a high-income country with a shortage of land and labour. Singapore is often given as an example of a market economy. The Singaporean government does, however, intervene in the economy. For example, it encourages its population to eat two servings of fruit and two servings of vegetables per day.

**(a)** Identify the reward to labour and the reward to land. [2]

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**Q2(a)/22/O/N/15****1 (a)** Define 'resources'.**[2]**

- factors of production/inputs (1) used to produce goods and services (1)
- identification of type of factor of production – land (natural resource), labour (human resource), capital, entrepreneur (1)

**Q7(b)/21/M/J/16****2 (b)** Explain, giving examples, two factors of production used in the tourism industry. **[4]**

- Labour which is human effort (1) e.g. tourist guides (1).
- Land which is natural resources (1) e.g. beaches (1).
- Capital which is human-made goods and services used in production (1) e.g. hotels (1)
- Enterprise which is risk bearing and decision making (1) e.g. may be undertaken by the owner of a hotel (1).

**Q2(a)/22/M/J/17****3 (a)** Identify the two human factors of production.

- Labour (1) entrepreneur/enterprise (1).

**Q4(a)/22/O/N/17****4 (a)** Name two factors of production used in making cars.

1 mark each for each of two factors identified:

- car workers / labour
- car factory / capital
- car firm owner / entrepreneur
- water/land

**Q3(a)/22/M/J/18****5 (a)** Identify two examples of capital goods that may be used by a farm.

One mark each for each of two examples e.g. tractor, farm buildings.

**Q7(a)/22/O/N/18****6 (a)** Identify two factors of production involved in mining gold.

Any 2 from:

Labour/miner (1) land / gold ore (1) capital/equipment (1) enterprise/owner (1)

**Q7(a)/23/O/N/18****7 (a)** Identify the reward received by labour and the reward received by enterprise.

Labour = wages (1). Enterprise = profit (1).

**Q4(a)/22/M/J/19****8 (a)** Define a capital good.

A human-made good (1) used to produce other goods and services (1).

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**Q5(a)/22/O/N/19**

**9 (a)** Identify two examples of land used in growing agricultural crops.

- soil
- water
- natural fertiliser
- seeds
- weather

**Q1(b)/21/M/J/20**

**10 (b)** Identify two rewards to factors of production.

Wages (1) profits (1).

**Q1(b)/21/M/J/21**

**11 (b)** Identify two examples of capital goods.

Two from:

- [delivery] vehicles
- machines
- [office] equipment

**Q3(a)/22/M/J/21**

**12 (a)** Define enterprise.

Risk bearing (1) setting up / owning a business (1) key decision making / organisation of the other factors of production (1) profit incentive / profit is the reward (1).

**Q5(a)/21/M/J/22 Q13**

**5(a)** Identify the reward to labour and the reward to land. [2]

Wages (1) rent (1).

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