

1.2 The Factors of Production

Question Paper

Course	CIE IGCSE Economics
Section	1. The Basic Economic Problem
Topic	1.2 The Factors of Production
Difficulty	Medium

Time allowed: 50
Score: /38
Percentage: /100

Question 1

In 2017, the Brazilian paper industry was booming. Its total revenue increased and it employed both more, and better quality, factors of production. Brazil's largest paper producer merged with an Indonesian paper-producing firm at the end of 2017. The performance of Brazil's coffee industry differed from its paper industry. Brazilian coffee experienced a fall in demand and a fall in total revenue.

Explain two differences between capital and labour.

[4 marks]

Question 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.

Identify two examples of land used in growing agricultural crops

[2 marks]

Question 3

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

Define a capital good

[2 marks]

Question 4

Discuss whether or not the supply of enterprise is likely to increase in the Philippines.

Refer to the [source material](#) in your answers.

[6 marks]

Question 5

State a factor of production and identify an example of it from the extract.

Refer to the [source materials](#) in your answer.

[2 marks]

Question 6

It has recently been revealed that a king works as a part-time pilot for a multinational airline. Some pilots and police officers have left their jobs to become teachers and others have left to become sole traders. The wages teachers earn vary according to their age.

Define wages.

[2 marks]

Question 7

Changes in the supply of enterprise result in the development of new firms. In 2016, a theme park in Hong Kong made a loss with visitor numbers falling by 9%. In 2017, the same public limited company opened another larger theme park in Shanghai. The new theme park is expected to benefit from both internal and external economies of scale.

Analyse how a government could increase the supply of enterprise.

[6 marks]

Question 8

Some economists have claimed that the 21st century will be the 'African century' because of the growth in their working-age population. Forecasts show that by 2030, Africa's contribution to the increase in the global labour force will exceed that from the rest of the world. This will affect incomes, saving, and economic policies in African countries.

Define labour.

[2 marks]

Question 9

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.

Identify two factors of production involved in mining gold.

[2 marks]

Question 10

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.

Identify the reward received by labour and the reward received by enterprise.

[2 marks]

Question 11

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.

Identify **two** examples of capital goods that may be used by a farm.

[2 marks]

Question 12

Discuss whether or not a country's economic growth rate depends mostly on the availability of its natural resources.

Refer to the [source material](#) in your answers.

[6 marks]