


i Instructions:

- You have **fifty (50) minutes** to answer all **fifty (50) questions**. No additional time is allowed.
- **One (1) mark** will be awarded for each correct response
- Unanswered or wrongly answered questions score **zero (0) marks**

- 1** Tingmeng gave up a tutoring job paying \$60 to go to movie with a friend. The movie ticket costs \$20. Walking out of the movie, Tingmeng told her friend that the movie was “absolutely worth the money”. Which of the following sentences is CORRECT?

Select one alternative:

- As far as Tingmeng is concerned, the imputed value of the utility derived from watching the movie is more than \$80 
- The opportunity cost of going to the movie for Tingmeng is \$20
- As far as Tingmeng is concerned, the imputed value of the utility derived from watching the movie is less than \$80
- To calculate whether the movie is worth it or not we need to compare the imputed value of the utility derived from watching the movie and to the \$20 cost of the movie ticket

Maximum marks: 1

- 2 Consider a market consisting of seven buyers and seven sellers. The following table illustrates the willingness to pay (maximum price buyers are willing to pay for one unit) and the willingness to accept (minimum price sellers are willing to accept for each unit) schedules for the buyers and sellers respectively.

Maximum price buyer willing to pay	Buyer 1	Buyer 2	Buyer 3	Buyer 4	Buyer 5	Buyer 6	Buyer 7
	\$10	\$8	\$8	\$7	\$7	\$4	\$2
Minimum price seller willing to accept	Seller 1	Seller 2	Seller 3	Seller 4	Seller 5	Seller 6	Seller 7
	\$6	\$6	\$6	\$6	\$6	\$6	\$6

Assume that each buyer and seller can buy and sell only one unit at a time.

Given the demand and supply information in the table, the equilibrium price in this market will most likely lie between:

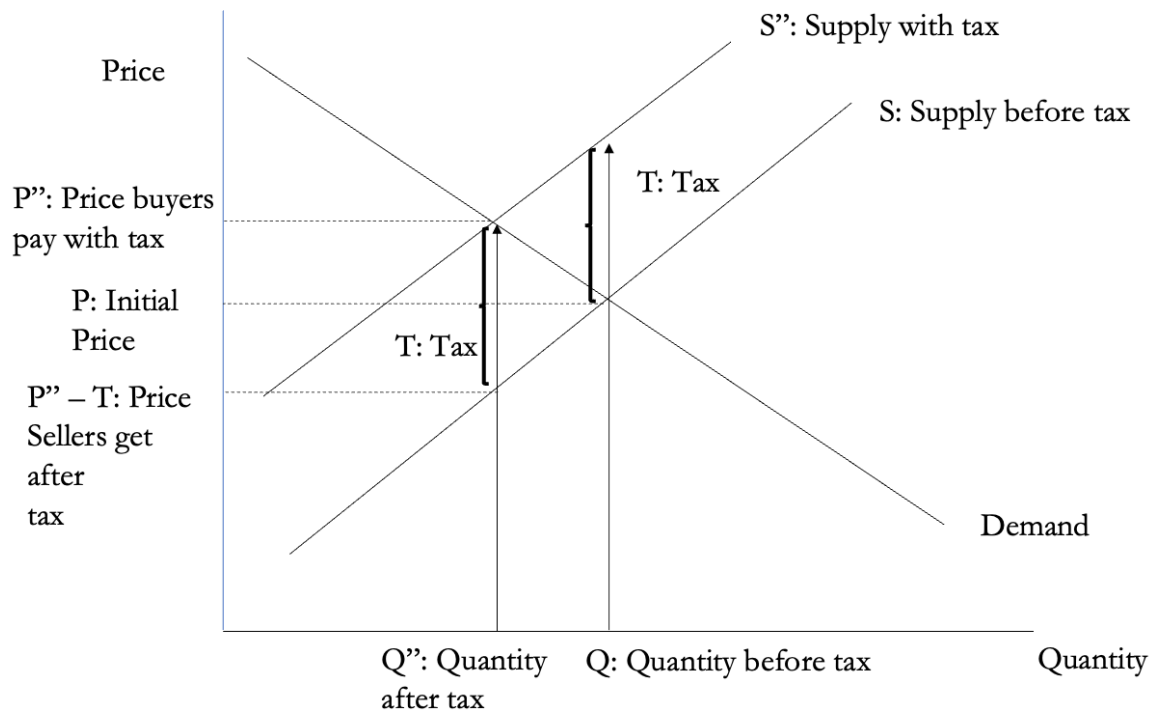
Select one alternative:

- \$7 and \$8
- \$4 and \$5
- \$6 and \$7
- \$8 and \$10



Maximum marks: 1

3 Consider the diagram below, which represents the market for petrol before and after a tax of \$ t per litre was imposed on suppliers.



The original supply curve is labelled S (Supply before tax), and the new supply curve after the tax is S'' (Supply with tax).

Now, suppose that consumers continued buying exactly the same quantity, Q, even after the tax was introduced – that is, demand did not change.

Under these conditions, what would be the price that consumers pay after the tax is imposed?

Select one alternative:

P''

P + T

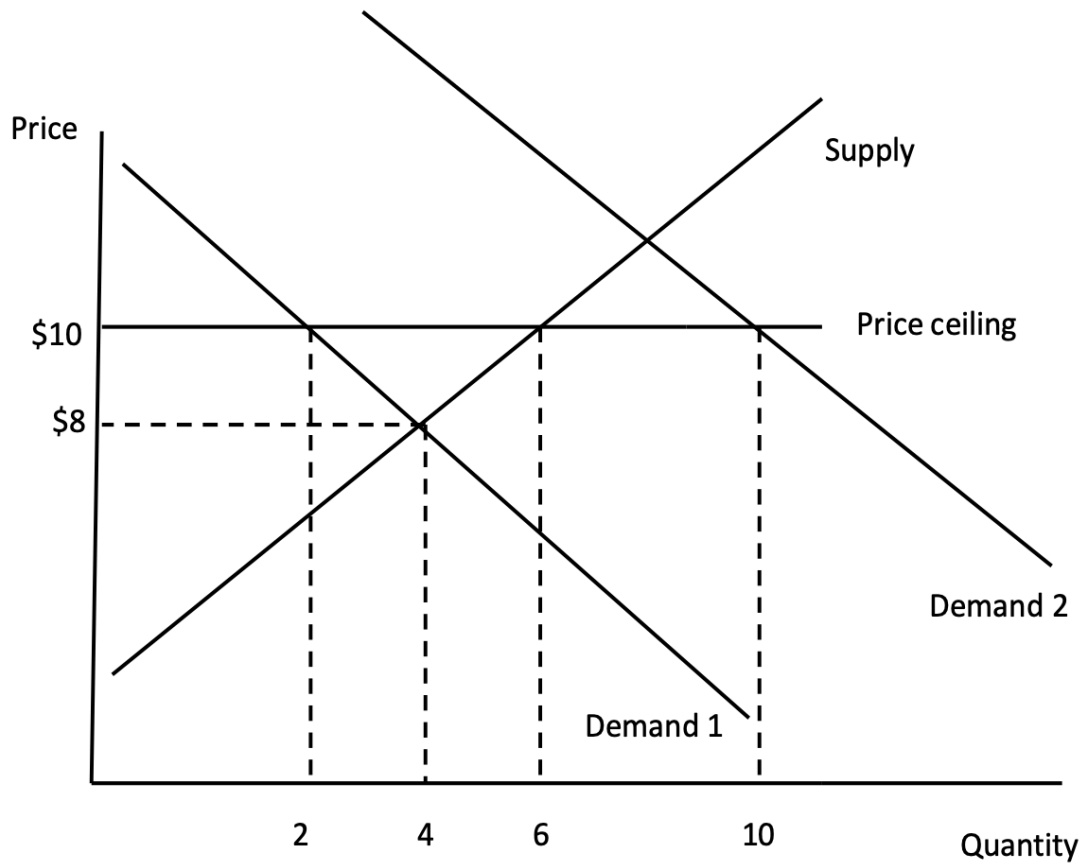


P'' - T

P

Maximum marks: 1

4 Refer to the diagram below showing the market for takeaway coffee in a city.



The vertical axis shows the price per cup in dollars, and the horizontal axis shows the number of cups sold per day (in thousands).

The market is initially in equilibrium where the demand curve (Demand 1) intersects the supply curve (Supply). Now, suppose the local council introduces a price ceiling – a legal maximum price sellers can charge – set at \$10 per cup.

What is the most likely effect of this price ceiling on the market for takeaway coffee?

Select one alternative:

- lead to an excess demand of 6 units
- lead to an excess demand of 4 units
- have no impact
- lead to an excess supply of 4 units



Maximum marks: 1

5 Consider the following table showing the cost conditions for a firm.

Output	Total Cost	Total Variable Cost
0	100	0
1	110	10
2	130	30
3	160	60
4	200	100
5	250	150
6	310	210
7	380	280
8	480	380

For this firm, the average fixed cost when producing 5 units of output is:

Select one alternative:

- 150
- 100
- 20
- 0



Maximum marks: 1

- 6 A classmate claims that demand for a product is inelastic because the own-price elasticity is -2 . They also argue that, since demand is inelastic, the producer should raise the price to increase revenue.

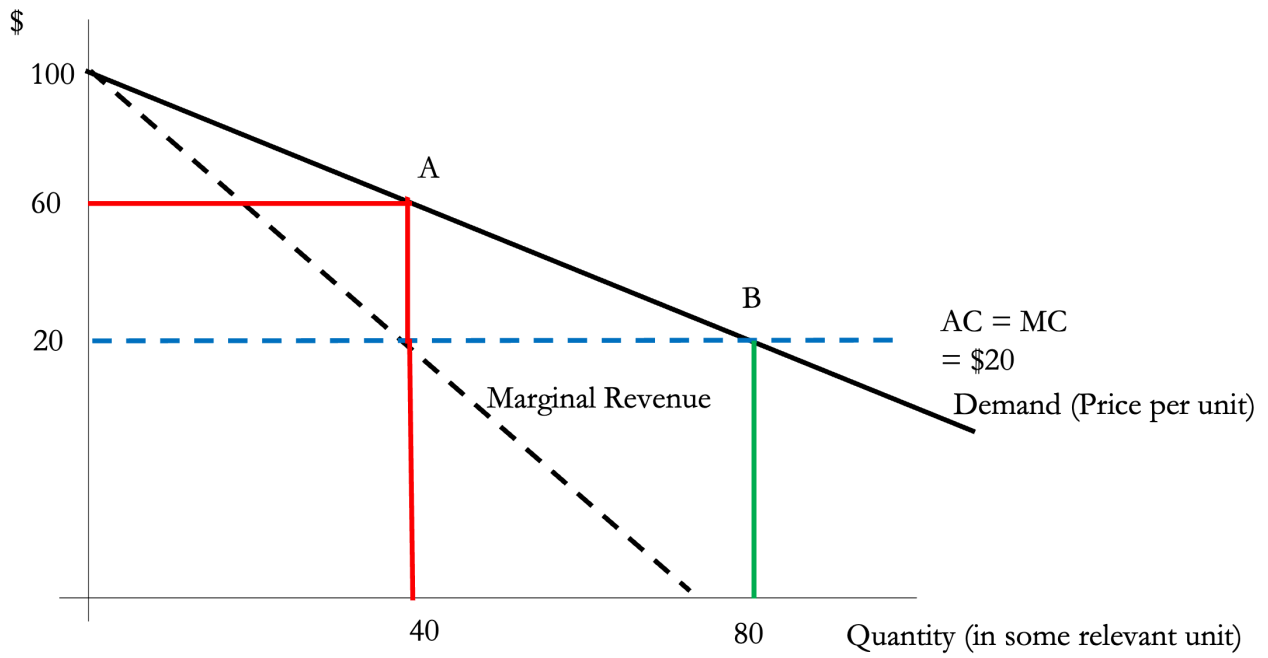
Is the classmate correct about (1) the elasticity and (2) the pricing strategy?

Select one alternative:

- The classmate is correct that the demand is inelastic, since elasticity is negative. However, they are wrong on pricing – because raising the price with inelastic demand would decrease total revenue.
- The classmate is correct on both points – because a negative elasticity implies inelastic demand, and in such cases, higher prices lead to greater revenue.
- The classmate is wrong about the elasticity, since a coefficient of -2 indicates elastic demand ($|-2| > 1$), but correct in suggesting a price increase if marginal cost is zero and demand becomes inelastic at higher prices.
- The classmate is incorrect on both points – because the sign of the elasticity is standard (always negative for normal downward-sloping demand), and what matters is the absolute value. An elasticity of 2 (in absolute terms) implies elastic demand, so increasing price would reduce revenue. ✓

Maximum marks: 1

7 Consider the following diagram showing the market conditions for a profit maximizing monopolist.



The total revenue earned by this monopolist is:

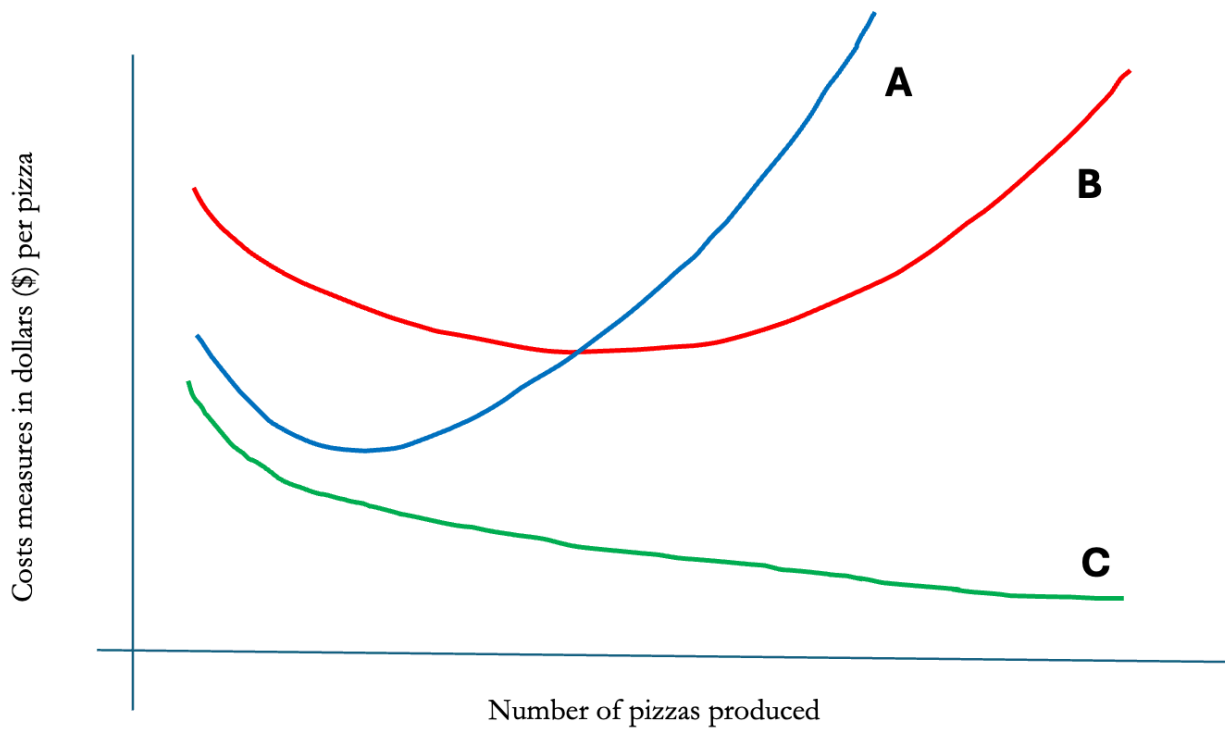
Select one alternative:

- \$2400
- \$60
- \$1600
- \$1000



Maximum marks: 1

8 Consider the following diagram showing the costs for a pizza producer.



In the diagram, the cost curve A most likely depicts the producer's _____.

Select one alternative:

- Total Cost
- Average Total Cost
- Marginal Cost
- Average Fixed Cost



Maximum marks: 1

- 9 In 2024, nominal GDP is observed to be higher than in 2023. Based on this information alone, what can be concluded about the behavior of real GDP between the two years?

Select one alternative:

- Real GDP must have increased, since nominal GDP reflects the market value of final goods and services and thus tracks real output growth.
- No definitive conclusion can be drawn about real GDP – it may have increased, decreased, or remained constant, depending on how much of the nominal GDP increase was due to price changes rather than changes in real output. ✓
- Real GDP must have decreased, since a rise in nominal GDP could be entirely due to higher prices rather than increased output.
- Real GDP must be unchanged, because nominal GDP adjusts automatically for inflation when comparing year-on-year figures.

Maximum marks: 1

- 10 Between Q4 2022 and Q4 2023, New Zealand's Consumer Price Index (CPI) increased from 1220 to 1260. Assume no rebasing occurred and that the CPI is reported on a standard index scale.

Which of the following most accurately reflects the annual inflation rate over this period?

Select one alternative:

- 3.3% ✓
- 0.3%
- 7.5%
- 8.6%

Maximum marks: 1

- 11** In a closed economy, total GDP is \$12,000, consumption spending is \$6,500, and private investment is \$2,500. The government collects \$2,500 in tax revenue.

Based on this information, the government is running a:

Select one alternative:

- Surplus of \$500
- Deficit of \$500
- Deficit of \$1,000
- Surplus of \$1,000



Maximum marks: 1

- 12** A pair of shoes costs ₹4,500 in India. Suppose the exchange rate changes from ₹45 per NZ dollar to ₹35 per NZ dollar.

What happens to the price of the shoes in New Zealand dollars (NZD) as a result of this change?

Select one alternative:

- Increases from \$100 to \$128.57
- Decreases from \$128.57 to \$100
- Decreases from \$0.028 to \$0.022
- Increases from \$100 to \$135.57



Maximum marks: 1

- 13 Consider a small economy that only produces 3 goods: food, drinks, and clothing. The table shows price and quantity data for 2019, 2020, and 2021. Using 2021 as the base-year price, what is the value of nominal and real gross domestic product (GDP), respectively, in 2021 (in 000s of dollars)?

	Price of Food (\$ per kg)	Quantity of Food (000s kgs)	Price of Drinks (\$ per litre)	Quantity of Drinks (000s litres)	Price of Clothing (\$ per unit)	Quantity of Clothing (000s units)
2019	3	100	2	80	10	60
2020	4	130	1	90	11	70
2021	5	130	1.5	85	11	80

Select one alternative:

- \$1,485 and \$1,485
- \$1,657.50 and \$1,485
- \$1,485 and \$1,657.50
- \$1,657.50 and \$1,657.50 ✔

Maximum marks: 1

- 14 Jack takes a job as a Supervisor in a car assembly factory in 2000, with a salary of \$55,000. By 2020, he has been promoted to General Manager of the factory, with a salary of \$165,000. The price index in 2000 is 750 and the price index in 2020 is 1950. Which of the following statements is true?

Select one alternative:

- Jack is better off in 2020 because earning \$55,000 in 2000 is the same as earning \$143,000 in 2020. ✔
- Jack is equally well off in 2020 because earning \$55,000 in 2000 is the same as earning \$165,000 in 2020.
- Jack is worse off in 2020 because earning \$55,000 in 2000 is the same as earning \$143,000 in 2020.
- Jack is better off in 2020 because earning \$55,000 in 2000 is the same as earning \$137,500 in 2020.

Maximum marks: 1

15 The formula for calculating Gross Domestic Product (GDP) is:

$GDP = C + I + G + NX$, where:

- C is Consumption
- I is Investment
- G is Government Expenditure and
- NX is Net Exports

The "I" or the Investment component of GDP will include the spending on:

Select one alternative:

- buying an oven in a pizza shop ✔
- buying real estate in parts of the country expecting higher prices in the future
- buying cryptocurrency expecting higher prices in the future
- buying Facebook stock

Maximum marks: 1

16 Keanu has several part-time jobs as a student. He earns \$22 per hour at a local restaurant and \$30 per hour at a library where he sorts books. He chooses to study for an extra hour for a difficult economics test instead of working. What is the opportunity cost of Keanu studying economics?

Select one alternative:

- \$22
- There is no opportunity cost
- \$52
- \$30 ✔

Maximum marks: 1

17 Suppose that the basket of goods used to compute the Consumer Price Index (CPI) in a country called Zalonia consists of only 4 loaves of breads, 6 litres of milk, 2 shirts and 2 pants.

- In 2020 bread was \$1 per loaf, milk was \$3 per litre, shirts were \$6 per shirt and pants were \$10 per pant.
- In 2021 bread was \$3 per loaf, milk was \$5 per litre, shirts were \$7 per shirt and pants were \$12 per pant.

If 2020 is the base year in Zalonia, what was its approximate inflation rate from 2020 to 2021 as indicated by the CPI?

Select one alternative:

- 48% ✓
- Cannot be determined
- 74%
- 22%

Maximum marks: 1

18 Which of the following are examples of "Positive Economics" and which are examples of "Normative Economics"?

Please match the values:

	Normative Economics	Positive Economics
People deemed to be more physically attractive on average earn higher wages	<input type="radio"/>	<input type="radio"/> ✓
The government should implement a carbon tax to reduce greenhouse gas emissions and combat climate change	<input type="radio"/> ✓	<input type="radio"/>
A higher level of economic growth will increase the standard of living, but may also have negative environmental and social impacts	<input type="radio"/>	<input type="radio"/> ✓
A higher income tax rate will reduce the incentive to work and save	<input type="radio"/>	<input type="radio"/> ✓

Maximum marks: 1

- 19** Suppose that in France, producing an airplane takes **40,000 hours** of labour and producing a jacket takes 2 hours of labour.
In Morocco, producing an aircraft takes **60,000 hours** of labour and producing a jacket takes 4 hours of labour.

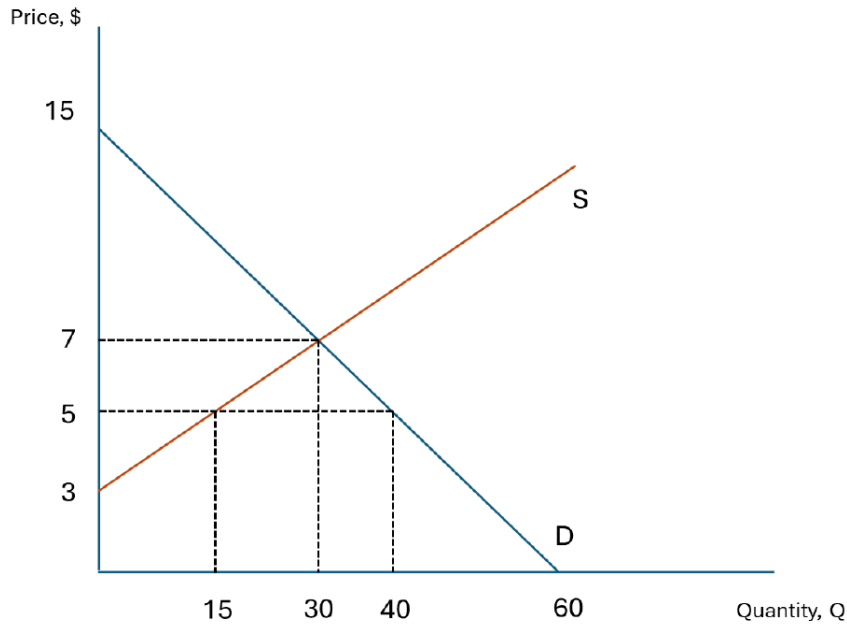
What will these nations trade?

Select one alternative:

- Morocco will export jackets, and France will export airplanes.
- There are no gains from trade in this situation.
- Morocco will export airplanes, and France will export jackets. ✔
- Both nations will export jackets.

Maximum marks: 1

20 Suppose the demand and supply curves for Mocha coffee in Superfino Cafe are as shown in the diagram (not to scale).



The Producer Surplus would be:

Select one alternative:

- \$27
- \$120
- \$15
- \$60



Maximum marks: 1

- 21** When the price of Adam's Avocados rises from \$5.00 to \$5.50 per avocado, the quantity supplied rises from 300 to 350 avocados per day. All things being equal, what is the price elasticity of supply using the midpoint method?

Select one alternative:

- 1.69
- +0.62
- +1.62
- +1.77



Maximum marks: 1

- 22** Jason and Trudy both have the capability to make chairs, and Trudy can make more chairs in a day than Jason can. If Trudy buys chairs from Jason rather than making them herself, what must be true?

Select one alternative:

- Trudy must produce all other goods at a higher cost than Jason.
- Trudy is making a poor decision, since she can make them at a lower cost than Jason can.
- Jason must sell chairs to Trudy at a price below her opportunity cost of production. ✓
- Jason must be able to produce a higher quantity of something else than Trudy can.

Maximum marks: 1

23 Below are pairs of GDP growth rates and unemployment rates respectively. Which of these would be commensurate with an economy experiencing a recession?

Select one alternative:

- 2 percent, 0 percent
- 3 percent, 4 percent
- 2 percent, 8 percent
- 5 percent, 2 percent.



Maximum marks: 1

24 If the NZ dollar appreciates, we would expect to see:

Select one alternative:

- exports increase and imports decrease
- both exports and imports increase
- exports decrease and imports increase
- both exports and imports decrease



Maximum marks: 1

25

The primary source of the supply of loanable funds is (money supply, investment expenditures, private and public saving, investment expenditures) while the primary

source of the demand for loanable funds is (private and public saving, investment expenditures, money supply, business investment expenditures).

Maximum marks: 1

- 26 At the height of the East Asian crisis in the mid-1990s, investors lost faith in the markets in Thailand and all of them (both Thai and foreign citizens) started taking their funds out of Thailand to other countries. This would have caused the demand for the Thai Baht to


Select alternative (not change, **fall**, rise) and the Thai currency (baht) to

Select alternative (not change, **depreciate**, appreciate).

Maximum marks: 1

- 27 Which of the following is counted in GDP?

Select one alternative:

- Milly receiving an unemployment check from the government and putting it into a term deposit at the bank
- Olga buying a used fishing reel from Trade Me as a present for her uncle's birthday
- Marcus helping his neighbours by looking after their children after school
- Hannie's employer buying her a computer so she will be able to work from home every Friday 

Maximum marks: 1

28 Suppose that the price of basketball tickets at your hometown is determined by market forces. Currently, the demand and supply schedules are as follows:

PRICE	QUANTITY DEMANDED	QUANTITY SUPPLIED
\$8	5000 tickets	4500 tickets
\$12	4000	4000
\$16	3000	3500
\$20	2000	3000
\$24	1000	2500

The equilibrium price is (12) and the equilibrium quantity of tickets is (4000).

Maximum marks: 1

29 A change in which of the following will NOT shift the demand curve for blueberry muffins?

Select one alternative:

- The price of chocolate muffins
- The income of muffin consumers
- The price of coffee
- The price of blueberry muffins



Maximum marks: 1

30 In economics, what is meant by 'menu costs'?

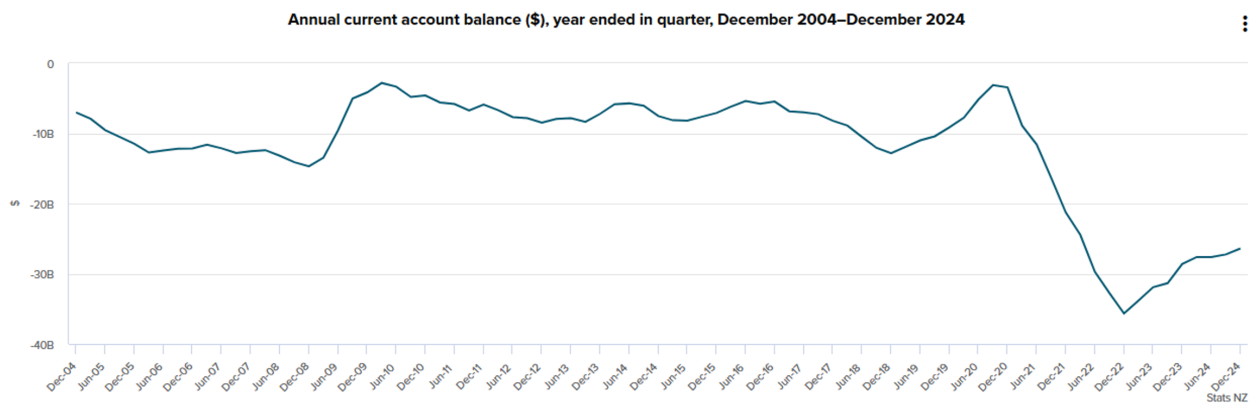
Select one alternative:

- The administrative costs associated with hiring new staff
- The investment required to start a new restaurant
- The expenses incurred from purchasing food supplies
- The costs related to changing prices on products



Maximum marks: 1

31 Stats NZ displays the following data regarding NZ's current account from 2004-2024:



Based on this, what must be happening to NZ's capital and financial accounts (CFA)?

Select one alternative:

- CFA must be rising
- There is no necessary relationship between the current account and CFA
- CFA must be falling
- CFA must be unchanged



Maximum marks: 1

- 32** Ant earns a salary of \$150,000 in 2010. Dec earns a salary of \$375,000 in 2020. Both Ant and Dec live in New York. Suppose the consumer price index (CPI) for 2010 was 845. Which one of the following values of the CPI for 2020 would make Dec the most well off in purchasing power terms in 2020 compared to Ant in 2010?

Select one alternative:

- 2000
- 2500
- 1690
- 2115



Maximum marks: 1

- 33** Consider the following 3 currencies:

- New Zealand dollar (NZD)
- Australian dollar (AUD), and
- British pound (GBP)

Assume there are no transaction costs when trading/exchanging currencies. If NZD 1.00 can be exchanged for AUD 0.87 and AUD 1.00 can be exchanged for GBP 0.70, then approximately how many NZDs should be exchanged for GBP 1.00 for there to be no arbitrage (no profit-making) opportunity when trading currencies?

Select one alternative:

- NZD 1.81
- NZD 0.81
- NZD 1.64
- NZD 1.54



Maximum marks: 1

34 If the quantity of Good B increases when the price of Good A rises, then what are goods A and B, ceteris paribus?

Select one alternative:

- Neither substitutes nor complements in consumption
- Complements in production
- Cannot be determined without more information ✓
- Substitutes in consumption

Maximum marks: 1

35 In 2015, suppose the price of a McDonald's Big Mac was NZD 5.75 in New Zealand and the price of a Big Mac was GBP 2.53 in the United Kingdom. With respect to the purchasing-power parity theory of exchange-rate determination, which of the following is true?

Select one alternative:

- More information is needed to make a judgement about currency valuation ✓
- The NZD is predicted to be overvalued against the GBP
- The NZD is predicted to be at par with the GBP
- The NZD is predicted to be undervalued against the GBP

Maximum marks: 1

- 36** Faced with declining profit, Netflix is considering changing the price of monthly service subscription fees. Market research carried out by a management consultancy firm hired by Netflix suggests that the price elasticity of demand for a streaming services is 2.5. Assume that Netflix costs are fixed.

Based on this information, if Netflix aims to increase profit, they should

Select one alternative

- lower the price of their services as this would increase revenue and thereby increase profit
- raise the price of their services as this would increase revenue and thereby increase profit
- raise the price of their services as this would decrease revenue and thereby increase profit
- lower the price of their services as this would lower revenue and thereby increase profit

Maximum marks: 1

- 37** Asha gave up a babysitting job paying \$50 to go to bar with a friend to watch a local band. The bar charges an entry fee of \$10. Walking out of the bar, Asha told her friend that the band was “absolutely not worth the money”. Which of the following sentences is CORRECT?

Select one alternative:

- As far as Asha is concerned, the imputed value of the utility derived from going to the bar was less than \$60
- To calculate whether the movie is worth it or not we need to compare the imputed value of the utility derived from watching the band to the \$10 cost of entry
- The opportunity cost of going to the bar for Asha is \$10
- As far as Asha is concerned, the imputed value of the utility derived from going to the bar is more than \$60

Maximum marks: 1

38 Suppose the following table records the total output and the prices for an entire economy (only two goods produced: Milk and Honey) in a country. Assume the base year is 2016.

Year	Price of Milk	Quantity of Milk	Price of Honey	Quantity of Honey
2016	\$1	200 litres	\$3	100
2017	1	300 litres	3	150
2018	2	300 litres	5	150

Calculate the following:

Nominal GDP for the year 2018 is \$ (1350)

Real GDP for the year 2017 is \$ (750)

Maximum marks: 1

39 A sudden and sustained boom in equity markets (e.g. NASDAQ) significantly boosts household wealth and consumer confidence. Using the aggregate demand – aggregate supply (AD-AS) model, and assuming prices are flexible in the long run, which of the following is least likely to change in response to this shock?

Select one alternative:

- The position of the long-run aggregate supply (LRAS) curve reflecting the economy's potential output ✓
- The position of the short-run aggregate supply (SRAS) curve due to changing wage expectations
- The expected price level as the economy adjusts toward a new long-run equilibrium
- The aggregate demand (AD) curve as a result of increased consumption

Maximum marks: 1

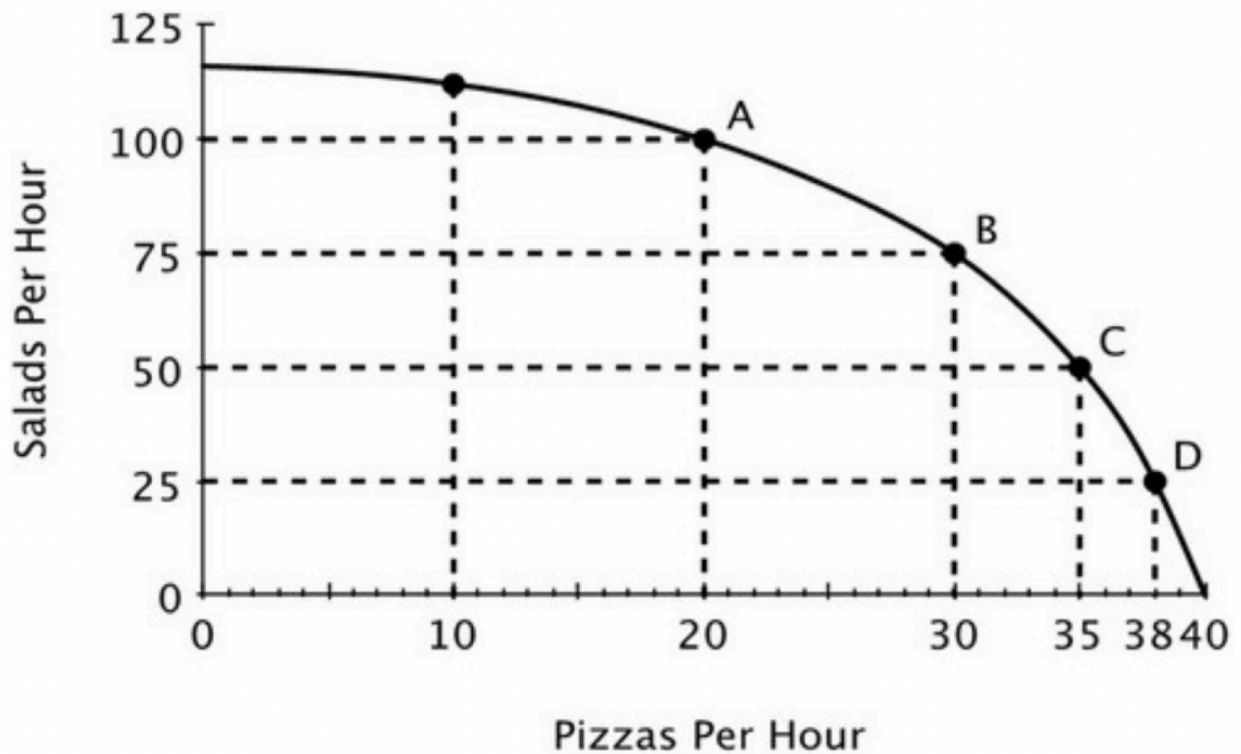
- 40** Kazakhstan has recently experienced extreme weather events due to climate change, which have significantly reduced the country's productive capacity. Compared to its trading partners, Kazakhstan's output has fallen more sharply. Based on the aggregate supply and aggregate demand (AS-AD) framework, which of the following outcomes is most likely in Kazakhstan as a result of this adverse supply shock?

Select one alternative:

- Net exports will increase as domestic consumption shifts toward import substitutes
- The natural rate of unemployment will fall as the economy rebalances
- Kazakhstan's inflation rate will rise relative to its trading partners due to reduced aggregate supply
- Real GDP will expand as firms raise prices in response to increased production costs

Maximum marks: 1

41 The figure below is the production possibility frontier (PPF) for Chris's Pizza and Salad shop.



Assuming Chris operates at a point A on the PPF, as he increases the production of pizzas moving to operating in point D, the opportunity cost of producing an additional pizza:

Select one alternative:

- becomes negative
- increases
- doesn't change
- decreases



Maximum marks: 1

- 42 Patrick and Elizabeth are the only two butchers in town. They face the following payoff matrix as they decide upon their pricing strategy:

		Elizabeth's Prime Outs	
		Low Price	High Price
Patrick's Meat Mart	Low Price	(20, 60)	(100, 20)
	High Price	(10, 110)	(60, 75)

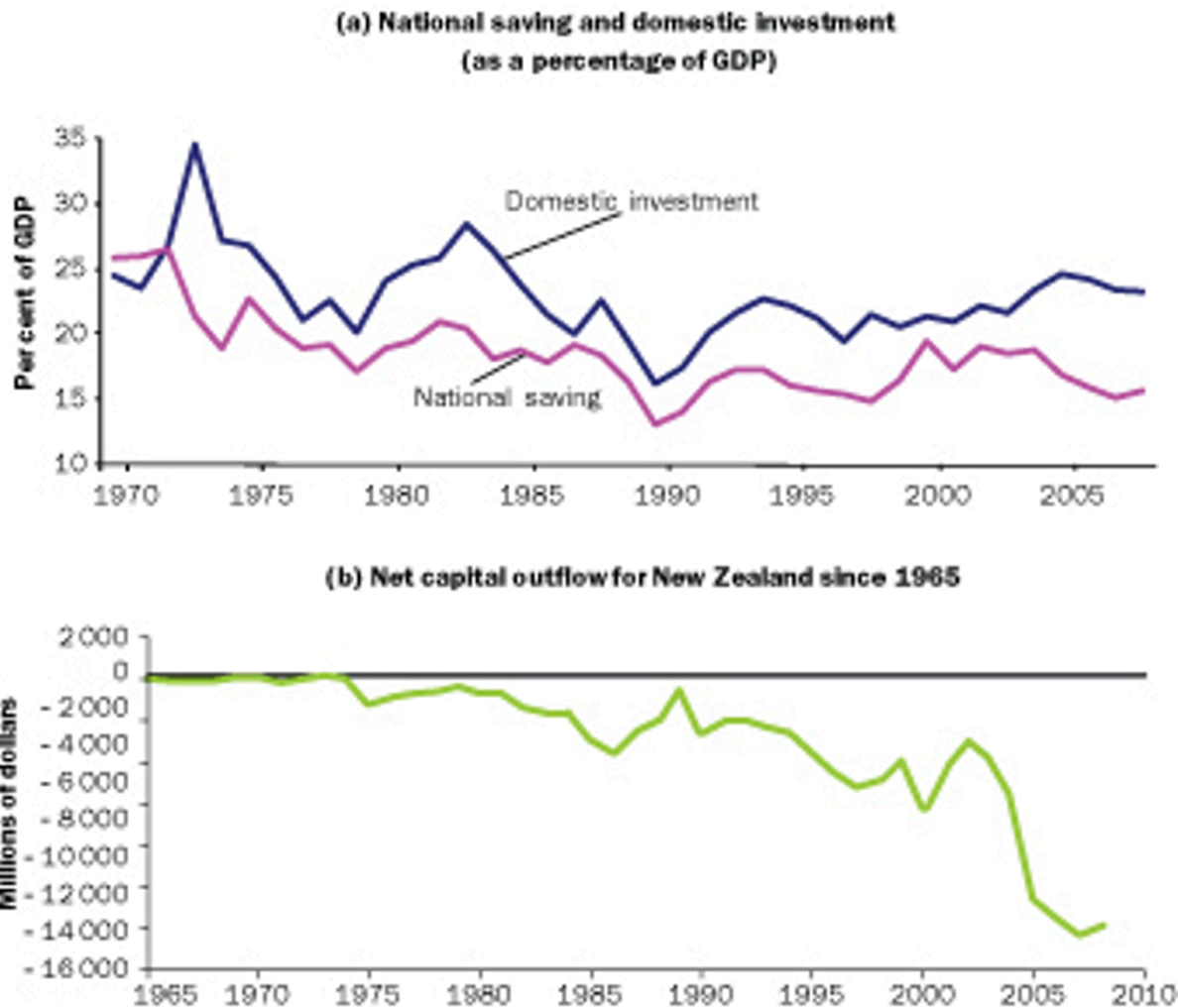
What is the Nash Equilibrium in this scenario?

Select one alternative:

- Both companies choose "Low Price" ✓
- There is no Nash Equilibrium
- Patrick prices high and Elizabeth prices low
- Both companies choose "High Price"

Maximum marks: 1

43 Take a look at the following two graphs:



What can you conclude about


Select one alternative:

- Since 1971, capital must be flowing in to the country to facilitate the gap between domestic investments and national savings
- The difference between savings and investment is irrelevant for determining international capital flows
- New Zealand has consistently run a current account surplus since 1971
- Since 1971, capital must be flowing out of the country to facilitate the gap between domestic investments and national savings

Maximum marks: 1

44 New Zealand has consistently run a current account deficit alongside persistent government budget deficits. Based on macroeconomic identity, what is the most likely explanation?


Select one alternative:

- The current account deficit implies New Zealand is lending extensively to the rest of the world
- Private savings must be unusually high to offset the twin deficits
- A current account deficit implies that investment in New Zealand is lower than national saving
- The government budget deficit contributes to the current account deficit when not offset by private saving 

Maximum marks: 1

45 Which of the following statements is CORRECT?

Select one alternative:

- National savings is the sum of private and public savings and as a result when a government runs budget deficits this leads to an increase in national savings
- National savings is the sum of private and public savings and as a result when a government runs budget surpluses this leads to a reduction in national savings
- National savings is the sum of private and public savings and as a result when a government runs budget surpluses this leads to an increase in the demand for loanable funds
- National savings is the sum of private and public savings and as a result when a government runs budget deficits this leads to a reduction in national savings 

Maximum marks: 1

46

The interest rate represents a cost to (borrowers, savers) and an earning

for (savers, borrowers). When the interest rate rises, we expect

(retirees with money saved up, businesses looking to take out a loan) to be

happy while (retirees with money saved up, a young couple looking to buy their first home) to be unhappy.

Maximum marks: 1

47 Match each market structure with the most appropriate real-world example:

	Perfect competition	Monopolistic competition	Oligopoly	Monopoly
Internet service provider in a small town	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Fast food restaurants in a city	<input type="radio"/>	<input type="radio"/> <input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Smartphone manufacturers	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
National wheat farming market	<input type="radio"/> <input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Maximum marks: 1

48 In a country the demand for cars (X) at a price P is given by: $X_d = 6,000 - 6P$. The supply of cars is given by the following equation: $X_s = 4P$
 The authority, annoyed by prices it considers extremely high, sets the price of this market at \$300. Determine the deadweight loss (DWL).

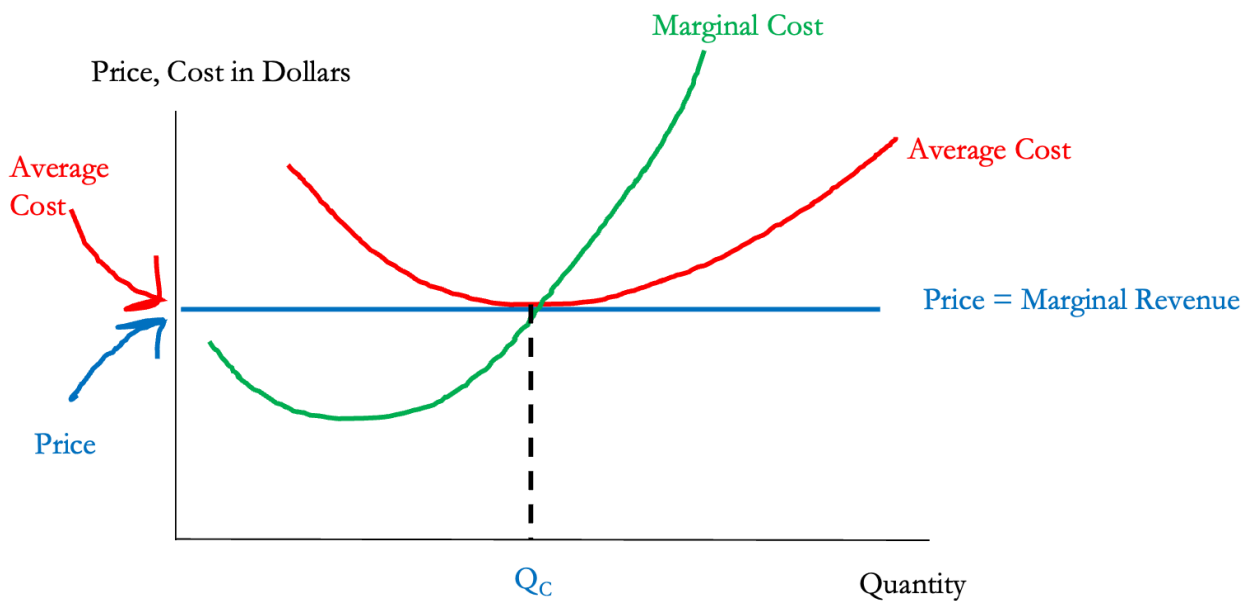
Select one alternative:

- 200,000
- 100,000
- 600,000
- 300,000



Maximum marks: 1

49 What does the following diagram depict?



Select one alternative:

- The break-even point for a perfectly competitive firm
- The shut down point for a perfectly competitive firm
- The break-even point for a monopolistically competitive firm
- The break-even point for a monopolist



Maximum marks: 1

- 50** Recently, Linaya was out shopping when she felt a little hungry. She walked into a café and looked at a raspberry muffin that costs \$7.50, but in the end, decided not to buy it.

Evaluate each of the following statements as true or false:

Linaya must dislike raspberry muffins

True

False



Linaya likely placed an imputed utility value on the muffin that was less than \$7.50

False

True



Linaya might return later to buy the muffin once she finishes her shopping

False

True



Linaya's choice indicates that raspberry muffins are an inferior good

True

False



Maximum marks: 1