

- 1 If the price elasticity of supply for a product is 0.6, a price increase from \$0.90 to \$1.08 will cause the quantity supplied to:

Select one alternative:

- Rise by 12 per cent
- Rise by 0.6 per cent
- Rise by 10 per cent
- Rise by 28 per cent



Maximum marks: 1

- 2 Joe sold gold coins for \$1000 that he bought a year ago for \$1000. He says, "At least I didn't lose any money on my financial investment." His economist friend points out that in effect he did lose money, because he could have received a 3 percent return on the \$1000 if he had bought a bank certificate of deposit instead of the coins. The economist's analysis in this case incorporates the idea of:

Select one alternative:

- imperfect information
- normative economics
- opportunity costs
- marginal benefits that exceed marginal costs



Maximum marks: 1

- 3 In 2022, GDP per capita is 54,000 US Dollars in Finland and 36,620 US Dollars in Italy. If the annual growth rate is 2% in Finland and 4% in Italy, how long will it take for Italy to catch up with Finland in terms of GDP per capita?

Select one alternative:

- 25 years
- 10 years
- 20 years
- 15 years



Maximum marks: 1

- 4 If variables X and Y are positively correlated, this means that:

Select one alternative:

- Y is the cause of X.
- causation may or may not exist between X and Y.
- X is the cause of Y.
- causation necessarily exists, but we don't know whether X or Y is the cause.



Maximum marks: 1

5 According to the idea of the neutrality of money, which of the following statements describes the long-run effect of a rise in the money stock?

Select one alternative:

- It has no effect.
- It affects variables expressed in nominal terms, notably prices, but not variables expressed in real terms, notably output and unemployment.
- It affects variables expressed in nominal terms and variables expressed in real terms, notably prices, output and unemployment.
- It affects variables expressed in real terms, notably output and unemployment, but not variables expressed in nominal terms, notably prices.

Maximum marks: 1

6 Any point inside the production possibilities curve indicates:

Select one alternative:

- the presence of inflationary pressures.
- that more output could be produced with available resources.
- that resources are imperfectly shiftable among alternative uses.
- the realization of allocative efficiency.

Maximum marks: 1

7 Under which of the following circumstances would the incidence of a specific tax fall wholly on producers?

Select one alternative:

- Under no circumstances.
- Demand is perfectly elastic. ✔
- Supply is perfectly elastic
- Both demand and supply have unit elasticity.

Maximum marks: 1

8 Which of the following would not shift the demand curve for beef?

Select one alternative:

- a widely publicized study that indicates beef increases one's cholesterol.
- a change in the incomes of beef consumers.
- an effective advertising campaign by pork producers.
- a reduction in the price of cattle feed. ✔

Maximum marks: 1

- 9 In 2022, the demand for commodity X is represented by the equation $P = 10 - 0.2Q$ and supply by the equation $P = 2 + 0.2Q$. If in 2023 demand changed from $P = 10 - 0.2Q$ to $P = 7 - 0.3Q$, we can conclude that after the change in demand,

Select one alternative:

- the new equilibrium price has decreased by 50%.
- the new equilibrium quantity has decreased by 35%.
- the new equilibrium quantity has decreased by 50%.
- the new equilibrium price has decreased by 20%.

Maximum marks: 1

- 10 What is the present value of \$20,000 to be received after 6 months if the current annual rate of interest is 8 percent?

Select one alternative:

- \$20,000.00
- \$21,600.00
- \$19,230.77
- \$18,518.52

Maximum marks: 1

11 In the second quarter (3-month period) of 2023, New Zealand's nominal GDP increased but its real GDP declined. We can conclude that:

Select one alternative:

- the price level rose by more than nominal GDP. ✔
- nominal income declined by more than personal income.
- real wages declined by more than real GDP.
- the price level fell by more than real GDP.

Maximum marks: 1

12 A variable that moves in the same direction as real GDP is known as:

Select one alternative:

- procyclical. ✔
- exogenous.
- acyclical.
- countercyclical.

Maximum marks: 1

13 Fiat money is money that has value because of

Select one alternative:

- it is a commodity.
- all of the above.
- its intrinsic value.
- government decree.



Maximum marks: 1

14 There is only one firm in a small island country. The firm produced 10,000 units of Good X during a particular year, out of which it could sell 8,500 units. If each unit of the good sells for \$50, what is the GDP of the country?

Select one alternative:

- \$10,000
- \$450,000
- \$500,000
- \$425,000



Maximum marks: 1

- 15** If Output = 40 units; Total Variable Cost= \$120; Marginal Cost = \$8; Average Total Cost = \$16 then Total Fixed Cost equals:

Select one alternative:

\$520



\$80

\$320

\$640

Maximum marks: 1

- 16** Free riding can occur if a good is

Select one alternative:

nonexcludable and rival.

excludable and nonrival.

excludable and rival.

nonexcludable and nonrival.



Maximum marks: 1

17 Public goods are provided by government because

Select one alternative:

- governments are more efficient than private firms at producing public goods.
- private firms will make an economic profit.
- free-rider problems result in underproduction by private markets. ✔
- private firms do not take into account the impact of external costs.

Maximum marks: 1

18 Which of the following will lead to an increase in the GDP of a country, all other variables remaining unchanged?

Select one alternative:

- A fall in the expenditure incurred by the government
- A fall in the expenditure on investment goods
- An increase in imports
- An increase in consumption expenditure ✔

Maximum marks: 1

19 Air pollution generated by a paper mill factory is an example of a

Select one alternative:

- negative production externality. ✓
- positive consumption externality.
- negative consumption externality.
- positive production externality.

Maximum marks: 1

20 If marginal revenue exceeds marginal cost, a monopolists should

Select one alternative:

- raise the price.
- decrease output.
- keep output the same because profits are maximized when marginal revenue exceeds marginal cost.
- increase output. ✓

Maximum marks: 1

21 Which of the follow statements about price discrimination is not true?

Select one alternative:

- Perfect price discrimination generates a deadweight loss. ✓
- Price discrimination can raise economic welfare.
- Price discrimination increases a monopolist's profits.
- Price discrimination requires that the seller be able to separate buyers according to their willingness to pay.

Maximum marks: 1

22 The ability of an individual, firm, or country to produce a certain good at a lower opportunity cost than other producers is referred to as _____.

Select one alternative:

- marginal advantage
- comparative advantage ✓
- absolute advantage
- cardinal advantage

Maximum marks: 1

23 The inefficiency associated with monopoly is due to

Select one alternative:

- the monopoly's losses.
- the monopoly's profits.
- underproduction of the good. ✓
- overproduction of the good.

Maximum marks: 1

24 Which of the following would likely cause the greatest deadweight loss?

Select one alternative:

- a tax on petrol
- a tax on salt
- a tax on cruise line tickets ✓
- a tax on cigarettes

Maximum marks: 1

25 A grocery store should close at night if the

Select one alternative:

- variable costs of staying open are greater than the total revenue due to staying open ✓
- total costs of staying open are less than the total revenue due to staying open.
- total costs of staying open are greater than the total revenue due to staying open.
- variable costs of staying open are less than the total revenue due to staying open.

Maximum marks: 1

26 If actual inflation turns out to be greater than people had expected, then

Select one alternative:

- the real interest rate is unaffected.
- no redistribution occurred.
- wealth was redistributed to borrowers from lenders. ✓
- wealth was redistributed to lenders from borrowers.

Maximum marks: 1

27 The value of a country's currency will tend to appreciate if

Select one alternative:

- demand for the country's exports increases ✓
- the country's citizens increase their travel abroad
- the country's money supply increases
- domestic interest rates decrease

Maximum marks: 1

28 Marginal revenue is less than the price for a monopolist because _____.

Select one alternative:

- a monopolist must lower its price to sell another unit of output ✓
- the firm sets the price
- there are no close substitutes for the firm's product
- None of the alternatives is correct

Maximum marks: 1

29 If the Government provides an annual cash payment to all families who rent, the competitive market model predicts that:

Select one alternative:

- rental prices will fall and the supply of rental properties will decrease.
- rental prices will rise and the supply of rental properties will decrease.
- rental prices will fall and the supply of rental properties will increase.
- rental prices will rise and the supply of rental properties will increase. ✓

Maximum marks: 1

30 If the interest rate is higher in the US than in the UK, then

Select one alternative:

- The interest rate in the US is expected to decrease.
- The dollar is expected to appreciate with respect to the pound.
- The pound is expected to appreciate with respect to the dollar. ✓
- The interest rate in the US is expected to increase.

Maximum marks: 1

31 In 2022, the nominal GDP growth of a country was 5% and the real GDP growth was 3%. What was the rate of inflation for this country?

Select one alternative:

- 15%
- 2% ✓
- 8%
- 3%

Maximum marks: 1

32 A firm has a technology which exhibits increasing returns to scale. It is currently producing 1000 units at an average cost of \$50 per unit. If there is a contraction in demand for its product and its output falls to 750 units, then:

Select one alternative:

- we don't have enough information to be certain of any of the above claims
- its average costs will rise
- its average costs will fall
- its average costs will stay the same

Maximum marks: 1

33 A competitive firm hires labor until the marginal product of labor equals the

Select one alternative:

- rental price of capital.
- capital/labor ratio.
- price of output.
- real wage.

Maximum marks: 1

34 Other things being equal, relatively poor countries tend to grow faster than relatively rich countries because:

Select one alternative:

- the capital stock in rich countries deteriorates at a higher rate since they already have a lot of capital.
- None of the alternatives is correct.
- new capital adds more to production in a country that doesn't have much capital than in a country that already has a lot of capital.
- workers in countries with low incomes work more hours than workers in countries with high incomes

Maximum marks: 1

35 A used car market in which the market price is too low to attract high quality used cars, so only low quality used cars ('lemons') are offered for sale, illustrates:

Select one alternative:

- a moral hazard problem.
- an adverse selection problem.
- economic irrationality
- that used cars are an inferior good

Maximum marks: 1

36 Using the same quantity of resources:

- Country A can produce 20 units of food or 40 units of electronics;
- Country B can produce 160 units of food or 80 units of electronics.

Therefore, Country B has an absolute advantage in _____.

Select one alternative:

- both food and electronics
- neither food nor electronics
- food
- electronics



Maximum marks: 1

37 Using the same quantity of resources:

- Country A can produce 20 units of food or 40 units of electronics;
- Country B can produce 160 units of food or 80 units of electronics.

According to the theory of comparative advantage, which would most likely occur?

Select one alternative:

- Country A will export electronics.
- Country B will export electronics.
- Country B will import food.
- The two countries won't trade.



Maximum marks: 1

38 Suppose that the consumer price index fell from 100 to 50. We may conclude:

Select one alternative:

- the real income of a person on a fixed nominal income has doubled. ✓
- all alternatives are correct.
- all prices in the economy have been cut in half.
- consumer incomes have been cut in half.

Maximum marks: 1

39 Which of the following statements is correct?

Select one alternative:

- Potential real GDP (Gross Domestic Product) is always greater than equilibrium real GDP
- The purchase of shares in the stock market is an example of investment spending.
- Real GDP is the total value, in measured current prices, of all final goods and services produced in a country in one year
- None of the alternatives is correct. ✓

Maximum marks: 1

40 Over the course of 20 years, a country's population doubles. During this time, its GDP increases from \$15 trillion to \$26.5 trillion. A person who lives in this country and buys the same goods and services every year is still paying the same price for them. This implies that:

Select one alternative:

- the country's workforce has more than doubled
- real GDP in this country has decreased
- productivity in this country has decreased
- None of the alternatives is correct



Maximum marks: 1

41 If nominal GDP in 2022 exceeds nominal GDP in 2021, then the production of output must have:

Select one alternative:

- risen.
- stayed the same.
- risen or fallen because there is not enough information to determine what happened to real output.
- fallen.

Maximum marks: 1

42 If purchasing power parity holds, then the value of the:

Select one alternative:

- nominal exchange rate is equal to one.
- nominal exchange rate is equal to zero.
- real exchange rate is equal to zero.
- real exchange rate is equal to one.



Maximum marks: 1

43 At the end of 2022, the New Zealand dollar (NZD) could purchase 0.6250 US dollars (USD). If the NZD appreciated 5% relative to the USD in January 2023, then how many USD could one NZD buy in January 2023?

Select one alternative:

- 0.6875
- 0.5625
- 0.5938
- 0.6563



Maximum marks: 1

- 44 Assume that a market for apples is perfectly competitive. Let the demand in this market be described by $Q=22-2P$ and the supply by $Q=-6+2P$. What is the equilibrium price given these demand and supply equations?

Select one alternative:

- \$6
- \$8
- \$7
- \$9



Maximum marks: 1

- 45 Assume that a market for apples is perfectly competitive. Let the demand in this market be described by $Q=22-2P$ and the supply by $Q=-6+2P$. If the government introduced a price ceiling of \$6 on the apple market, the quantity traded in that market would be:

Select one alternative:

- 6
- 12
- 10
- 8



Maximum marks: 1

46 A monopolistically competitive industry is characterised by:

Select one alternative:

- differentiated products
- all of the options are correct
- free entry and exit
- a downward sloping demand curve



Maximum marks: 1

47 In long run equilibrium in a monopolistically competitive industry:

Select one alternative:

- price is greater than marginal cost and profits are zero
- price equals average cost and profits are positive
- price equals marginal cost and profits are zero
- price is greater than marginal cost and profits are positive.



Maximum marks: 1

48 Good A has an income elasticity of demand of -0.5 and a cross price elasticity of demand with good B of $+0.5$. This indicates good A is a(n) _____ good and goods A and B are _____ .

Select one alternative:

- inferior; substitutes. ✔
- normal, substitutes.
- normal; complements.
- inferior; complements.

Maximum marks: 1

49 Suppose an increase in the deficit has caused the governmental demand for loans to increase by more than the supply of loanable funds. Which of the following will be the most likely effect?

Select one alternative:

- All alternatives are correct.
- lower interest rates
- a smaller capital stock for future generations. ✔
- higher bond prices.

Maximum marks: 1

50 Which of the following situations is most consistent with the observation that the price of a good has fallen but the quantity transacted remained unchanged?

Select one alternative:

- the demand curve has shifted to the left and the supply curve is perfectly elastic.
- the demand curve has shifted to the right and the supply curve is perfectly inelastic.
- the supply curve has shifted to the right and the demand curve is perfectly inelastic ✓
- the supply curve has shifted to the left and the demand curve is perfectly elastic.

Maximum marks: 1