

i Instructions

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 Future Value

Alice and Bob each invest \$3,000 in a savings account at different interest rates. Alice's account grows at an annual rate of 5%, while Bob's grows at 8%. What will be the difference between the future values of Bob's and Alice's accounts after 4 years?

Select one alternative:

- \$579
- \$435
- \$306
- \$263

Maximum marks: 1

2 Monetary Policy

What is the primary goal of monetary policy?

Select one alternative:

- To manage government spending and taxation
- To control the money supply and interest rates
- To regulate the stock market
- To ensure balanced international trade

Maximum marks: 1

3 Price Ceiling

What does a price ceiling aim to achieve?

Select one alternative:

- Reduce government intervention in the market
- Make goods more affordable for consumers by setting a maximum price
- Prevent prices from falling below a certain level
- Increase the profits of producers

Maximum marks: 1

4 Tax System

Which of the following statements is true about a progressive tax system?

Select one alternative:

- The average tax rate decreases as income increases
- The marginal tax rate increases as income increases
- The average and marginal tax rates are the same at all income levels
- The marginal tax rate is constant regardless of income level

Maximum marks: 1

5 Type of Goods

What is a 'Giffen Good'?

Select one alternative:

- A good that has perfect substitutes in the market
- An inferior good with an elastic demand
- A product whose demand increases as the price increases, contradicting the law of demand
- A luxury item that becomes more desirable as it becomes more expensive

Maximum marks: 1

6 Consumer Surplus

Mike buys a smartphone for \$300 and gains a consumer surplus of \$50. What was Mike's willingness to pay for the smartphone?

Select one alternative:

- \$300
- \$250
- \$350
- \$400

Maximum marks: 1

7 Sunk Cost

The company you manage has invested 5 million dollars in the development of a new product, but it is not yet fully developed. In a recent meeting, your sales staff stated that the introduction of rival products has reduced the expected sales of your new product to 3 million dollars.

If it costs 1 million dollars to complete its development, what is the maximum amount you should pay to complete its development?

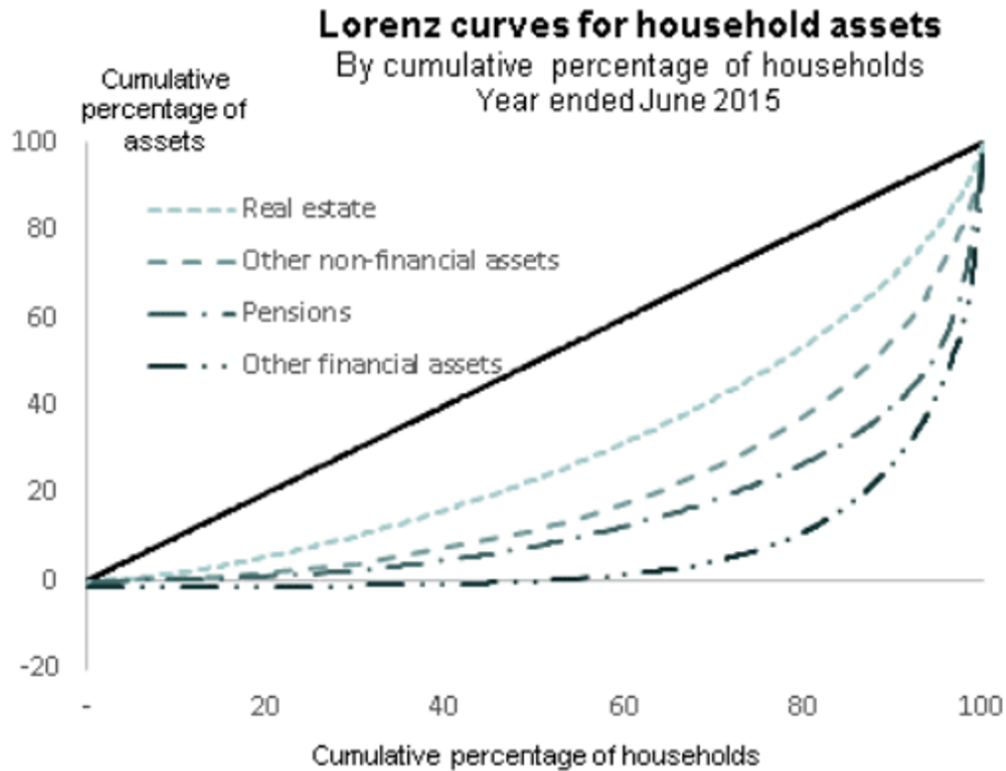
Select one alternative:

- \$5 million
- \$3 million
- \$4 million
- There is not enough information

Maximum marks: 1

8 Gini Coefficient

Based on the Lorenz curves below, which of the following household assets has the lowest Gini coefficient?



Source: Statistics New Zealand

Select one alternative:

- Real estate
- Other financial assets
- Pensions
- Other non-financial assets

Maximum marks: 1

9 Finance

What is the primary use of the Rule of 72 in finance?

Select one alternative:

- To estimate how long it will take for an investment to double at a given annual rate of return
- To calculate the interest rate needed to double an investment in a given number of years
- To calculate the total return on investment after 72 months
- To determine the number of years it will take for inflation to halve the value of money

Maximum marks: 1

10 Elasticity

If the elasticity of taxable income is 0.5, then a 10% increase in the tax rate will:

Select one alternative:

- Decrease the taxable income by 5%
- Increase the taxable income by 5%
- Have no effect on the taxable income
- Increase government revenue by 5%

Maximum marks: 1

11 Costs

Alex, formerly an investment banker earning \$600,000 annually, made a bold decision to leave his job and establish his own tutoring company. When assessing the economic profit of his consulting venture, the \$600,000 he gave up is considered an integral part of his tutoring company's

Select one alternative:

- implicit cost
- explicit cost
- total revenue
- opportunity cost

Maximum marks: 1

12 Price Fixing

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).

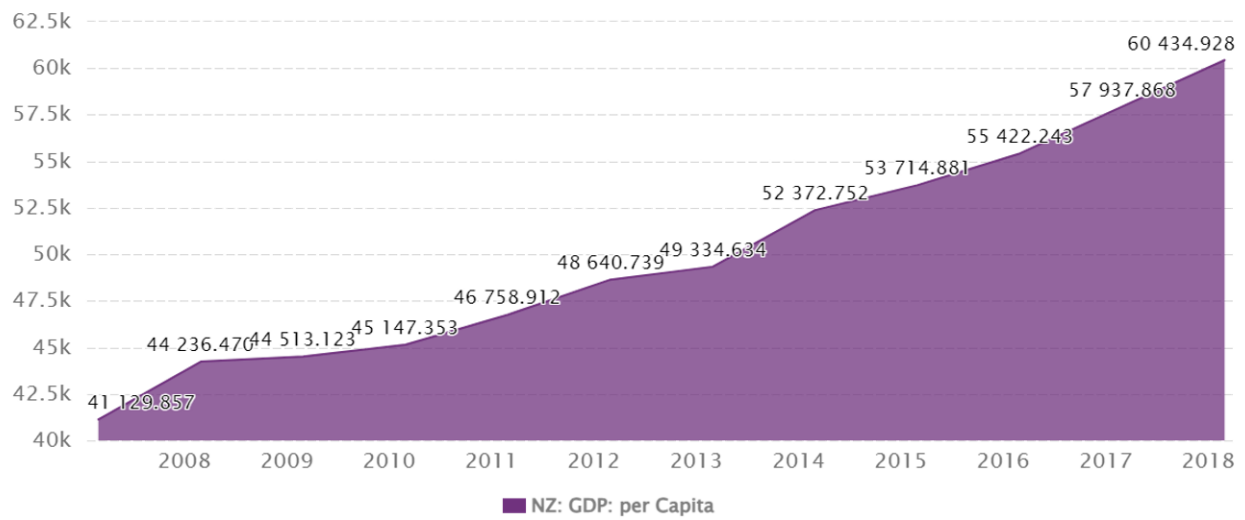
Select one alternative:

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

Maximum marks: 1

13 GDP Growth

Based on the chart below, what is the compounded annual growth rate of GDP per capita between 2014 and 2017?



Select one alternative:

- more than 6%
- less than 2%
- between 4% and 6%
- between 2% and 4%

Maximum marks: 1

14 Macroeconomics

How does a decrease in interest rates typically affect the economy?

Select one alternative:

- It has no significant effect on investment or saving
- It encourages saving over investment
- It discourages both saving and investment
- It encourages investment by making borrowing cheaper

Maximum marks: 1

15 Absolute and Comparative Advantage

Adrian and Scot spend most of their day studying. But in their leisure time, they relax in the kitchen by making flan and pizzas. Adrian takes 3 hours to prepare a flan and 2 hours to knead a pizza. Scot takes 7 hours to prepare a flan and 4 hours to knead a pizza.

Who has the absolute advantage in pizza production? And the comparative advantage?

Select one alternative:

- Adrian has an absolute advantage and Scot has a comparative advantage
- Scot has an absolute advantage and Adrian has a comparative advantage
- Adrian has an absolute and comparative advantage
- Scot has an absolute and comparative advantage

What is the highest (relative) price at which pizza can be exchanged to produce a mutually advantageous situation? And the lowest?

Select one alternative

- No information about the price since there is no money in this economy
- Highest price is 0.33 flans, and the lowest is 0.28 flans
- Highest price is 0.16 flans, and the lowest is 0.14 flans
- Highest price is 0.66 flans, and the lowest is 0.57 flans

Maximum marks: 2

16 Signalling Theory

Which of the following scenarios is an example of the signaling theory in action?

Select one alternative:

- A company requires a college degree for a job to ensure the employee has picked up the necessary skills for the job
- A vocational training program is developed to directly improve the practical skills of workers
- A student pursues higher education to gain specific skills necessary for a technical job
- An employer prefers candidates with graduate degrees because it indicates the ability to commit to long-term goals

Maximum marks: 1

17 Macroeconomics

What role do automatic stabilizers play in the economy?

Select one alternative:

- They automatically adjust spending and taxes to smooth out economic fluctuations
- They control the money supply without government intervention
- They automatically adjust tax rates to control inflation
- They regulate the stock market to prevent crashes

Maximum marks: 1

18 Market Structure

Which of the following is a characteristic of monopolistic competition?

Select one alternative:

- Only a few firms control the market
- A single firm dominates the market
- Many firms selling identical products
- Many firms selling differentiated products

Maximum marks: 1

19 Market Structure

Indicate whether the following statements are True or False:

Monopolistic competition is not observed in competitive markets

Select an alternative

- False
- True

Marginal revenue equals marginal cost at the profit-maximizing level of output for a monopoly

Select one alternative:

- False
- True

Maximum marks: 1

20 Unemployment

What primarily characterises structural unemployment?

Select one alternative:

- It is caused by seasonal variations in employment
- It occurs due to a mismatch between the skills of the unemployed and the skills needed for the available jobs
- It is caused by short-term cyclical changes in the economy
- It results from temporary transitions made by workers between jobs

Maximum marks: 1

21 Comparative Advantage

What is 'comparative advantage' in international trade?

Select one alternative:

- The ability of a country to produce a good with less labor than another country
- The ability of a country to produce a good at a higher quality than another country
- The ability of a country to produce a good at a lower opportunity cost than another country
- The ability of a country to produce a good at a lower cost than another country

Maximum marks: 1

22 Marginal Product of Labour

Suppose the market wage in a perfectly competitive bread-baking industry is \$15 per hour, and the firm sells its loaves of bread for \$3 each. Based on this information, the firm should continue hiring workers until the marginal product of labor equals:

Select one alternative:

- 10 loaves of bread per hour
- 20 loaves of bread per hour
- 5 loaves of bread per hour
- 15 loaves of bread per hour

Maximum marks: 1

23 Stagflation

What is stagflation?

Select one alternative:

- A stagnation in technological innovation leading to economic downturn
- High inflation and high unemployment occurring simultaneously
- A period of stagnant economic growth and declining prices
- Rapid economic growth accompanied by high inflation

Maximum marks: 1

24 Profits

Lisa left her teaching job, where she made \$60,000 per year, to start a band. In her first year as a band member, she earns a profit of \$50,000. As a band member, Lisa earns

Select one alternative:

- an economic profit
- a normal profit
- a supernormal profit
- an accounting profit

Maximum marks: 1

25 Tax Rate

John currently earns \$50,000 a year and has a marginal tax rate (MTR) of 25% and an average tax rate (ATR) of 20%. If John receives a raise of \$5,000, what will be his additional take-home pay, assuming this raise does not change his tax bracket?

Select one alternative:

- \$54,000
- \$4,000
- \$53,750
- \$3,750

Maximum marks: 1

26 Law of Diminishing Marginal Returns

What is the law of diminishing marginal returns?

Select one alternative:

- The marginal cost of production decreases as output increases
- Increasing the use of all factors of production equally will increase output at a decreasing rate
- Adding more of one factor of production, while holding others constant, will eventually yield lower additional output
- Decreasing the use of one factor of production will increase the total output

Maximum marks: 1

27 Econometrics

What does multicollinearity refer to in econometrics?

Select one alternative:

- When the variance of the error terms is constant
- When no linear relationship exists between the independent variables and the dependent variable
- When all variables in a model are statistically significant
- When two or more predictor variables are closely correlated with each other

Maximum marks: 1

28 Unemployment Rate

What does the unemployment rate measure?

Select one alternative:

- The percentage of the total labor force that is unemployed but actively seeking employment and willing to work
- The percentage of the total population that is unemployed
- The percentage of the total labor force that is employed over the percentage that is unemployed
- The percentage of the total population that is not working

Maximum marks: 1

29 Inflation

Indicate whether the following statements are True or False:

Hyperinflation is typically caused by moderate levels of money supply growth

Select one alternative:

- False
- True

The Phillips curve suggests a short-run trade-off between unemployment and inflation

Select an alternative

- False
- True

Maximum marks: 1

30 Tax Rate

John currently earns \$50,000 a year and has a marginal tax rate (MTR) of 25% and an average tax rate (ATR) of 20%. How much in income taxes does he pay annually to the government?

Select one alternative:

- \$7,500
- \$10,000
- \$12,500
- \$15,000

Maximum marks: 1

31 Unemployment

What is frictional unemployment?

Select one alternative:

- Unemployment that results from industrial reorganization, typically involving technological change
- Unemployment that results directly from declines in the economy's overall demand
- Unemployment due to workers voluntarily leaving their job to find better pay or improved working conditions
- Unemployment caused by the time delay between jobs when workers are searching for new positions

Maximum marks: 1

32 Optimal Choice

Alex and Taylor are best friends who share a passion for music and movies. Taylor equally enjoys going to one concert and going to the theatre twice. Alex is solely concerned with Taylor's satisfaction. He sets aside \$10 monthly for their entertainment.

If a ticket to a concert and a theatre cost \$1 each what is Alex's optimal choice?

Select one alternative:

- Ten tickets for the theater, no tickets for the concert
- Five tickets for the theater and five tickets for the concert
- Ten tickets for the concert, no tickets for the theatre.
- More information is required

Maximum marks: 1

33 Reservation Wage

What is the 'reservation wage'?

Select one alternative:

- The wage at which an employee's income tax rate changes
- The lowest wage rate at which a worker would be willing to accept a particular type of job
- The minimum wage set by government regulation
- The average wage within a particular industry

Maximum marks: 1

34 Present Value

What is the present value of \$15,000 to be received after 2 years if the annual discount rate is 4%?

Select one alternative:

- \$15,000
- \$14,000
- \$14,423
- \$13,868

Maximum marks: 1

35 Market Structure

Indicate whether the following statements are True or False:

In a perfectly competitive market, individual firms can influence the market price of their product

Select one alternative:

- True
- False

In an oligopoly, firms always compete on price rather than quantities

Select an alternative

- False
- True

Maximum marks: 1

36 Positive and Normative Economics

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"/>

Maximum marks: 1

37 Menu Costs

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

Select one alternative:

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

Maximum marks: 1

38 Demand Curve

What represents a movement along the demand curve?

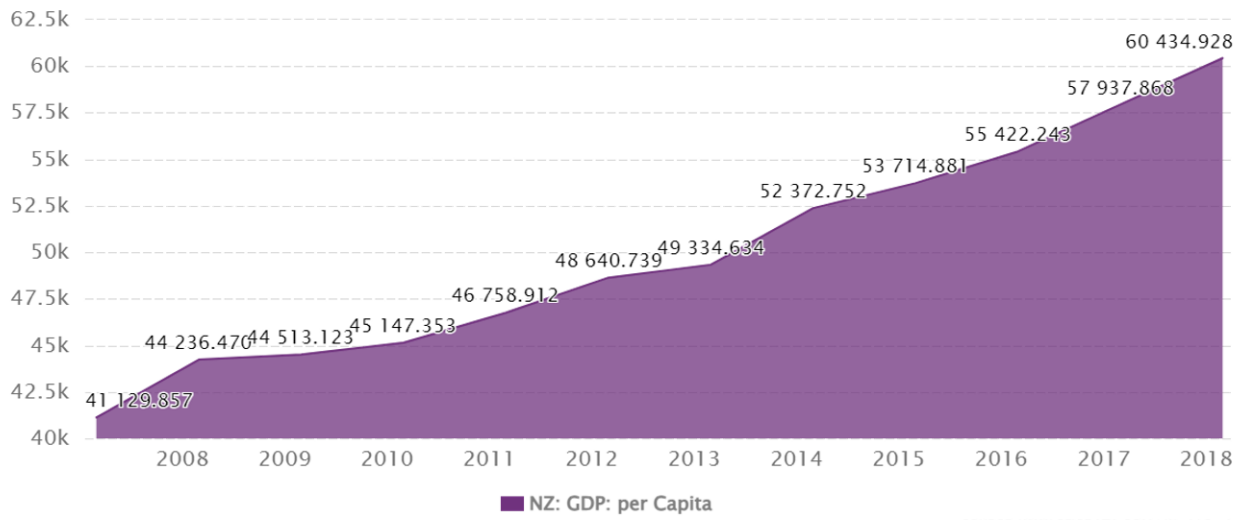
Select one alternative:

- A change in the price of the good itself
- A change in consumer tastes
- A change in consumers' income
- A change in the price of a substitute good

Maximum marks: 1

39 GDP growth

Based on the chart below, what was the percentage change in GDP per capita between 2010 and 2018?



Select one alternative:

- more than 30%
- between 20% and 25%
- less than 20%
- between 25% and 30%

Maximum marks: 1

40 Macroeconomic Policy

Which policy tool is used by the government to decrease inflation?

Select one alternative:

- Subsidies to families
- Import quotas
- Open market operations
- Expansive Fiscal policy

Maximum marks: 1

41 Leakage

Which of the following is considered a leakage in the circular flow of income?

Select one alternative:

- Government spending
- Consumption
- Investment
- Savings

Maximum marks: 1

42 Price Floor

Which of the following is an example of a price floor?

Select one alternative:

- A cap on gasoline prices
- Rent control
- Minimum wage
- Discount pricing in retail

Maximum marks: 1

43 Pigouvian tax

Which of the following is an example of a Pigouvian tax?

Select one alternative:

- A tax reduction on investment income to encourage more savings
- A tax levied on imported goods to protect domestic industries
- A tax on carbon emissions intended to reduce environmental harm
- A sales tax applied uniformly to all products to raise government revenue

Maximum marks: 1

44 Economic Theory

Which economic theory emphasizes the importance of total spending in the economy and its effects on output and inflation?

Select one alternative:

- Monetarism
- Keynesian economics
- Classical economics
- Supply-side economics

Maximum marks: 1

45 Miscellaneous

What does Baumol's cost disease theory explain?

Select one alternative:

- The rising cost of products in industries with low productivity growth despite wage increases
- The decrease in agricultural output despite technological advancement
- The inflationary effect of high healthcare costs
- The economic impact of epidemics on supply chains

Maximum marks: 1

46 Real and Nominal GDP

What is the difference between nominal GDP and real GDP?

Select one alternative:

- Nominal GDP includes only the private sector, while real GDP includes both the private and public sectors
- Nominal GDP is adjusted for inflation, whereas real GDP measures economic performance based on current prices
- Nominal GDP measures a country's economic performance based on current prices, whereas real GDP is adjusted for inflation
- Nominal GDP does not include imports and exports, while real GDP includes imports and exports

Maximum marks: 1

47 Moral Hazard

Which of the following is an example of moral hazard?

Select one alternative:

- An investor diversifies their portfolio to minimize risk
- A company increases production in response to a rise in market demand
- A consumer decides to buy a product because it is on sale
- A bank offers loans with less scrutiny after receiving a government bailout

Maximum marks: 1

48 Production Possibility Frontier

What does the production possibility frontier (PPF) illustrate?

Select one alternative:

- The minimum resources needed to produce a fixed amount of two goods
- The relationship between the prices of two goods
- The maximum possible output combinations of two goods that can be produced with available resources
- The efficient production of a good if all the inputs are used at their maximum

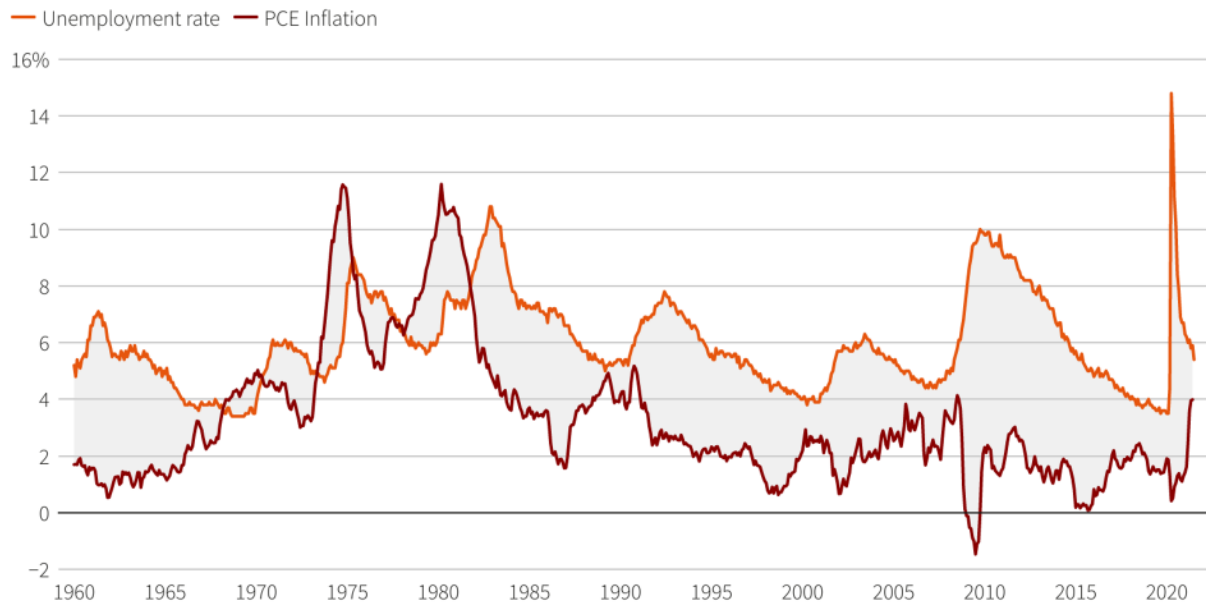
Maximum marks: 1

49 Stagflation 2

Based on the chart below, in which of the following years was there stagflation?

Inflation and unemployment

Beginning in the 1990s, inflation has been well contained, letting the Fed conclude it could take more risks to drive unemployment lower. The pandemic, and rising prices triggered by it, may challenge that idea.



Source: Bureau of Labor Statistics, U.S. Bureau of Economic Analysis

Select one alternative:

- 2010
- 2020
- 1975
- 1960

Maximum marks: 1