



KYIV SCHOOL
OF ECONOMICS

Admission Examination in Economics

NAME: _____

Instructions:

1. Do not turn this page until told to do so.
2. The exam consists of 20 questions that are all **equally weighted**.
3. Each question has several suggested answers for you to choose from (multiple choice). **Attention! Only one answer is correct.** If you think that several answers can be correct, choose the most precise and complete one.
4. No dictionaries are allowed.
5. No calculators or other similar devices are allowed. Mobile phones must be switched off for the duration of the exam.
6. **Positively no cheating. If caught cheating, you will be asked to leave the room immediately, and your grade for this exam will be zero.**

Note: UAH = Ukrainian hryvnia

March 18, 2017

Kyiv

Answer sheet

1	A <input type="checkbox"/>	B <input type="checkbox"/>	C <input type="checkbox"/>	D <input type="checkbox"/>	E <input type="checkbox"/>
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15	A <input type="checkbox"/>	B <input type="checkbox"/>	C <input type="checkbox"/>	D <input type="checkbox"/>	E <input type="checkbox"/>
16	A <input type="checkbox"/>	B <input type="checkbox"/>	C <input type="checkbox"/>	D <input type="checkbox"/>	E <input type="checkbox"/>
17	A <input type="checkbox"/>	B <input type="checkbox"/>	C <input type="checkbox"/>	D <input type="checkbox"/>	E <input type="checkbox"/>
18	A <input type="checkbox"/>	B <input type="checkbox"/>	C <input type="checkbox"/>	D <input type="checkbox"/>	E <input type="checkbox"/>
19	A <input type="checkbox"/>	B <input type="checkbox"/>	C <input type="checkbox"/>	D <input type="checkbox"/>	E <input type="checkbox"/>
20	A <input type="checkbox"/>	B <input type="checkbox"/>	C <input type="checkbox"/>	D <input type="checkbox"/>	E <input type="checkbox"/>

Question 1

If a consumer is initially in equilibrium, a decrease in his money income will

- A) make the slope of the consumer's indifference curves steeper.
- B) make the slope of the consumer's indifference curves flatter.
- C) move the consumer to a new equilibrium on a lower indifference curve.
- D) move the consumer to a new equilibrium on a higher indifference curve.
- E) have no effect on the equilibrium position.

Question 2

Suppose that the prices of products A and B are UAH 30 and UAH 20, respectively. The consumer spends his entire income and buys 4 units of A and 6 units of B. The marginal utility of both the fourth unit of A and the sixth unit of B is 8. The utility-maximizing rule suggests that the consumer should

- A) increase consumption of both products A and B.
- B) decrease consumption of both products A and B.
- C) increase consumption of product A and decrease consumption of product B.
- D) decrease consumption of product A and increase consumption of product B.
- E) make no change in consumption of A or B.

Question 3

If a study shows that the cross price elasticity of demand for two goods is negative, then it can be concluded that the two goods are

- A) normal goods.
- B) complementary goods.
- C) substitute goods.
- D) inferior goods.
- E) independent goods.

Question 4

You are the sales manager for a café-bakery and have been informed that the absolute value of the price elasticity for your most popular product, a pie with salmon, is greater than one. To increase total revenues, you should

- A) decrease the price of the pie.
- B) increase the price of the pie.
- C) use lower-quality salmon and other ingredients in production of the pie.
- D) decrease demand for this pie.
- E) none of the above.

Question 5

The chief determinant of the price elasticity of supply of a product is

- A) the number of substitutes the product has.
- B) whether the product is a durable or a nondurable good.
- C) whether the product is a luxury or a necessity.
- D) the relative importance of the product in the total budget of buyers.
- E) the length of time sellers have to adjust to a change in price.

Question 6

In a crowded city far away, the supply function of two-room rental apartments is given by $Q = 18 + 2P$ and the demand function is given by $Q = 114 - 4P$, where P is a rental price in crowns per week, and Q is the number of rental apartments. The local authorities decided that market rents were too high and set the ceiling price at 10 crowns per apartment per week (i.e. the authorities made it illegal to rent an apartment for more than 10 crowns per week). What is the effect of this intervention?

- A) A surplus of 24 apartments.
- B) A surplus of 36 apartments.
- C) A shortage of 36 apartments.
- D) A shortage of 12 apartments.
- E) No shortage or surplus of apartments.

Question 7

If the short-run average variable costs of production for a firm are falling with an increase in output, then this indicates that

- A) average variable costs are above average fixed costs.
- B) average fixed costs are constant.
- C) total costs are falling.
- D) marginal costs are below average variable costs.
- E) marginal costs are above average variable costs.

Question 8

The Kashtan Ltd. is selling in a purely competitive market. Its output is 300 units, which sell for UAH 20 each. At this level of output, marginal cost is UAH 20 and average variable cost is UAH 25. The profit-maximizing firm should

- A) continue to produce 300 units.
- B) decrease output to 250 units.
- C) produce zero units of output.
- D) increase output to 350 units.
- E) increase selling price of its product to over UAH 25.

Question 9

At present output a monopolist determines that its marginal cost is UAH 150 and its marginal revenue is UAH 180. The monopolist will maximize profits or minimize losses by

- A) increasing both price and output.
- B) decreasing both price and output.
- C) increasing price while keeping output constant.
- D) increasing price and decreasing output.
- E) decreasing price and increasing output.

Question 10

Which statement is correct about the excise tax burden borne by economic agents?

- A) The more elastic the demand, the greater the portion of an excise tax borne by the seller.
- B) The more elastic the supply, the greater the portion of an excise tax borne by the seller.
- C) The more inelastic the demand, the greater the portion of an excise tax borne by the seller.
- D) The more inelastic the supply, the greater the portion of an excise tax borne by the buyer.
- E) An excise tax is wholly borne by the buyer regardless of the elasticities of supply and demand.

Question 11

Suppose nominal GDP rose from UAH 1500 billion in year 1 to UAH 1800 billion in year 2 while the GDP deflator increased from 125 to 150 over the same period. The real GDP

- A) remained constant.
- B) increased by UAH 300 billion.
- C) increased by less than UAH 300 billion.
- D) decreased.
- E) cannot be calculated from these figures.

Question 12

If the marginal propensity to consume in an economy is 0.8, government could eliminate a recessionary gap of UAH 100 billion by decreasing taxes by

- A) UAH 20 billion.
- B) UAH 25 billion.
- C) UAH 80 billion.
- D) UAH 100 billion.
- E) UAH 400 billion.

Question 13

An increase in aggregate expenditures shifts the aggregate demand curve to the

- A) left by the amount of the increase in aggregate expenditures.
- B) left by the amount of the increase in aggregate expenditures times the multiplier.
- C) right by the amount of the increase in aggregate expenditures.
- D) right by the amount of the increase in aggregate expenditures times the multiplier.
- E) right by the amount of the increase in aggregate expenditures divided by the multiplier.

Question 14

Which combination of fiscal policies would be the most contractionary?

- A) An increase in government spending and a decrease in taxes
- B) A decrease in government spending and an increase in taxes
- C) A decrease in government spending while keeping taxes constant
- D) A decrease in government spending and taxes
- E) An increase in government spending and taxes

Question 15

If the hryvnias held for transactions purposes only are, on the average, spent five times a year for final goods and services, then the quantity of money people will wish to hold for transactions (i.e. the amount of money in circulation) is equal to

- A) 20% divided by the nominal GDP.
- B) five divided by the nominal GDP.
- C) 20% of the nominal GDP.
- D) five times the nominal GDP.
- E) the nominal GDP.

Question 16

A commercial bank has no excess reserves until a depositor places \$600 in cash in the bank. The bank then adds \$600 to its reserves by sending it to the Central Bank. The commercial bank then lends \$300 to a borrower. As a consequence of these transactions the size of the money supply has

- A) increased by \$300.
- B) increased by \$600.
- C) increased by \$900.
- D) decreased by \$300.
- E) not been affected.

Question 17

The economy is experiencing high inflation and the Central Bank decides to pursue a tight monetary policy. Which set of actions by the Central Bank would be most consistent with this policy?

- A) Buying government securities and lowering the reserve ratio
- B) Buying government securities and lowering the discount rate
- C) Selling government securities and lowering the reserve ratio
- D) Selling government securities and raising the discount rate
- E) Selling government securities and lowering the discount rate

Question 18

As the unemployment rate falls below its natural level,

- A) the expected rate of inflation equals the actual rate.
- B) excessive spending produces demand-pull inflation.
- C) productivity rises and creates cost-push inflation.
- D) there is an aggregate supply shock.
- E) there is a decrease in aggregate demand.

Question 19

Unemployment arising from a mismatch between the skills desired by firms and the skills offered by workers is called:

- A) frictional unemployment.
- B) structural unemployment.
- C) demand deficient (cyclical) unemployment.
- D) seasonal unemployment.
- E) none of the above.

Question 20

When a tariff is imposed on a good imported from abroad,

- A) the quantity of the good imported from abroad increases.
- B) the domestic quantity supplied increases.
- C) the domestic quantity demanded increases.
- D) the domestic quantity demanded decreases.
- E) Both B) and D).