



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

July 6, 2018

Kyiv

NAME: _____

Answers

#	Correct answer
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Question 1

If the price of the good (X) used in production of another good (Y) increases, then

- A) the demand for good Y decreases.
- B) the demand for good X increases.
- C) the demand for good Y increases.
- D) have no effect on demand for both goods
- E) the price for the good Y immediately decreases.

Question 2

Monetary policy is the process by which the monetary authority of a country attempts to influence the economy through changes in

- A) government spending and taxation.
- B) the supply of money and interest rates.
- C) interest rates and taxation.
- D) government spending and the supply of money.
- E) interest rate and government spending.

Question 3

Pepsi and Coca Cola for many people are substitutes. Suppose the price of Coca Cola decreases. How will this affect the quantities of Coca Cola and Pepsi sold in the market?

- A) The sales of Coca Cola will decrease.
- B) The sales of Coca Cola will increase and the demand for Pepsi will decrease.
- C) The sales of both products will increase.
- D) The quantity of Pepsi sold will decrease, the sales of Coca Cola will not change.
- E) The sales of both products will decrease.

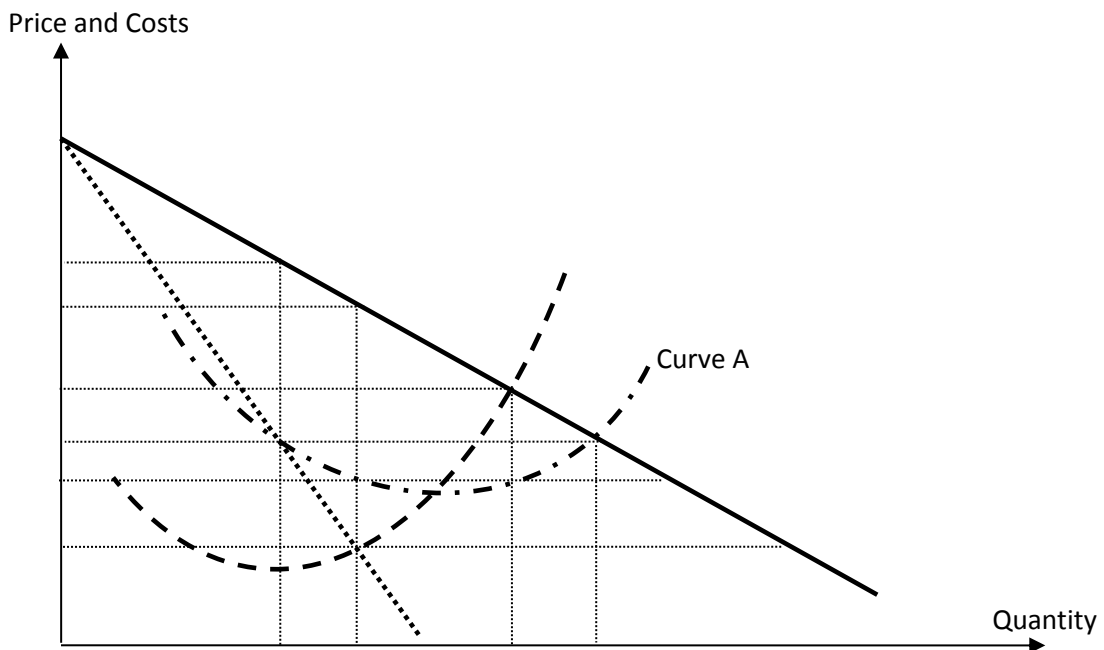
Question 4

If a change in price from \$10 to \$11 causes demand for a good to decrease from 10,000 units to 9,500 units, the point price elasticity of demand is

- A) -1
- B) +0.75.
- C) -0.5.
- D) -2.
- E) +1.

Question 5

Consider the case of a pure monopoly depicted on the graph below. Curve A is the



- A) Average Total Cost curve.
- B) Marginal Cost curve.
- C) Demand.
- D) Marginal revenue curve.
- E) None of the above.

Question 6

The consumer's preferences for good x and good y are described by a utility function with marginal rate of substitution $MRS = y/x$. The consumer has income $I = 240$, prices are $p_x = 1$ and $p_y = 4$. In equilibrium consumer chooses

- A) 75 units of x and 75 units of y.
- B) 120 units of x and 30 units of y.
- C) 100 units of x and 50 units of y.
- D) 150 units of x and 25 units of y.
- E) 40 units of x and 50 units of y.

Question 7

All of the following would raise the demand for imports in a country except which one?,

- A) A reduction in tariffs.
- B) A rise in the domestic price level.
- C) A devaluation of the exchange rate.
- D) An appreciation of the exchange rate.
- E) A rise in consumer incomes

Question 8

If markets for factors of production are competitive, then the price paid for any factor of production tends to be equal to:

- A) the wage rate.
- B) the value of the marginal product of that input.
- C) fixed costs of production.
- D) the price of the product sold by the firm that buys the inputs
- E) 10% of the price of the product sold by the firm that buys the inputs.

Question 9

A government that implements a policy designed to reduce inflation can expect unemployment to

- A) increase in the short-run.
- B) decrease in the short-run.
- C) increase in the long-run..
- D) decrease in the long-run.
- E) remain the same.

Question 10

Which of the following statements is true regarding externalities?

- A) Positive externality occur when the good benefits those who produce it.
- B) Negative externalities lead to inefficiencies in markets, but positive externalities do not.
- C) Both negative and positive externalities lead to inefficient outcomes in markets.
- D) Negative externalities occur when the good harms those who consume it.
- E) Negative externalities occur when the good harms those who produce it.

Question 11

According to the Laffer curve, if the government wants to increase its revenue from taxes

- A) it will have to introduce additional tax.
- B) it will have to increase the size of the tax.
- C) it will have to impose the tax on sellers.
- D) sometimes the way to do so will be by lowering the size of the tax.
- E) it will have to impose the tax on buyers.

Question 12

Which of the following are expenditures included in the calculation of the Gross Domestic Product?

- i. Investment.
 - ii. Government Purchases.
 - iii. Net Exports.
 - iv. Consumption.
- A) only ii, iii, and iv.
 - B) only i, ii, and iii.
 - C) only i, iii, and iv.
 - D) only i, ii, and iv.
 - E) all four.

Question 13

Which of the following occurs when the Central bank reduces the reserve requirement?

- A) The money multiplier gets bigger.
- B) Banks become more reluctant to lend.
- C) Interest rates tend to rise in the economy.
- D) The amount of money in the economy is reduced.
- E) None of the above.

Question 14

If the Nominal GDP is \$1.6 trillion, and the Real GDP is \$1.0 trillion, the GDP deflator is?

- A) 60
- B) 62.5
- C) 160
- D) 37.5
- E) None of the above

Question 15

Based on the table, if the Fixed Cost is \$500, what is the Average Total Cost of the 5th unit?

Quantity	Variable Cost
1	\$100
2	\$200
3	\$350
4	\$500
5	\$700
6	\$900
7	\$1,150
8	\$1,400
9	\$1,700
10	\$2,000

- A) \$180.
- B) \$240.
- C) \$140.
- D) \$250.
- E) \$100.

Question 16

If a tax is imposed on sellers of a good, the _____ curve of the good will shift _____ by the amount of the tax

- A) demand, to the right.
- B) demand, to the left.
- C) supply, to the right.
- D) supply, to the left.
- E) None of the above.

Question 17

Suppose the cost of the basket at the end of 2012 was \$5,500, and at the end of 2013 it was \$5,775. If the cost of the basket in the base year was \$1,000, find the inflation rate for 2013.

- A) 27.5%
- B) 10.0%
- C) 25.0%
- D) 15.0%
- E) 5.0%

Question 18

Consumer surplus is the

- A) difference between what the consumer is willing to pay and what the consumer has to pay.
- B) surplus of goods the consumer has after consuming all he/she needs from them.
- C) excess number of goods consumers purchase over and above what they really need.
- D) excess number of units firms produce over and above what consumers want to purchase.
- E) None of the above

Question 19

Assume that Chocolate Company operates in a perfectly competitive market producing 10,000 chocolates per day. At this output level, price equals the firm's marginal cost but exceeds average variable cost. To maximize profits the Company should,

- A) increase their output.
- B) make no adjustments as they are already maximizing their profits.
- C) decrease their output.
- D) increase the price.
- E) stop producing since it is earning a loss.

Question 20

If workers are unemployed due to a mismatch either between their skills and the skills required by the market or between their location and the location of job openings, the resulting unemployment is:

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