



Kyiv
School of
Economics

Scholarship Exam 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
\$, USD = US dollars

July 5, 2019

Kyiv

NAME: _____

Answers

#	Correct answer
1	
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Question 1

Which of the following could cause a decrease in consumer demand for black tea?

- A) An increase in the prices of green tea, coffee and other drinks that are substitutes for tea.
- B) An increase in the price of sugar (assume that sugar and tea are complements).
- C) An increase in consumer income.
- D) An increase in the price that consumers expect will prevail for tea in the future.
- E) A decrease in the supply of black tea.

Question 2

Which of the following could not cause an increase in the supply of cotton?

- A) A good harvest of cotton plants.
- B) Improvements in the technology of producing cotton.
- C) A decrease in the price of the machinery and tools employed in cotton production.
- D) A decrease in the price of labor employed in cotton production.
- E) An increase in consumer income.

Question 3

If the quantity demanded of a product decreases from 1000 units to 900 when the price of the product rises from UAH 15 to UAH 20, the price elasticity of demand, using the midpoint formula (i.e. arc elasticity), is

- A) 2.71
- B) - 2.71
- C) - 0.37
- D) 0.37
- E) 3.0

Question 4

If a firm needs to increase its Total Revenue, the firm should _____ the price, if the demand for its product is _____.

- A) drop, unit elastic.
- B) drop, elastic.
- C) raise, elastic.
- D) raise, unit elastic.
- E) drop, inelastic.

Question 5

Based on the table, if the Fixed Cost is \$500, what is the Average Total Cost of production of the 8th 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) \$115.5.
- B) \$195.
- C) \$127.5.
- D) \$225.5.
- E) \$237.5.

Question 6

Given the following demand function: $P = 110 - 10q$, determine the level of production and profit-maximizing price of a monopolist, which has marginal costs equal to $MC = 30q + 10$

- A) $q = 6, P = 50$.
- B) $q = 3, P = 80$.
- C) $q = 5, P = 60$.
- D) $q = 2, P = 90$.
- E) $q = 4, P = 70$.

Question 7

Suppose that there is a perfectly competitive market for training economists in Ukraine. Denoting the number of enrolled students with Q , the inverse annual demand for university enrolment is given by: $P(Q) = 1000 - 10Q$, where P is the price of the course. The total cost function is the same for all universities: $C = 20Q$. What is the long-run equilibrium number of the enrolled students?

- A) 1020.
- B) 980.
- C) 100.
- D) 98.
- E) 80.

Question 8

If a tax is imposed on a good and the incidence (burden) of the tax ends up falling more heavily on the sellers than on the buyers, this will be because

- A) demand is more elastic than supply for that good.
- B) demand is less elastic than supply for that good.
- C) the tax was imposed on the buyers of the good.
- D) the tax was imposed on the sellers of the good.
- E) sellers sell many goods.

Question 9

The consumer surplus can be expressed graphically as the area:

- A) below the supply curve and above the horizontal axis.
- B) above the supply curve and below the price.
- C) below the demand curve and above the price of the good.
- D) above the supply curve and below the demand curve.
- E) above the demand curve.

Question 10

In the case of a negative externality, the social marginal cost will

- A) exceed the private marginal cost.
- B) be equal to private marginal cost.
- C) fall short of private marginal cost.
- D) bear no significant relation to private marginal cost.
- E) be equal to zero.

Question 11

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

- A) 37.5.
- B) 40.
- C) 60.
- D) 62.5.
- E) 160.

Question 12

Suppose a can of Pepsi costs 2 Kronas in Sweden and \$0.50 in the United States. If purchasing-power parity holds, what is the nominal exchange rate between dollars and Kronas?

- A) 4 Kronas per dollar
- B) 3 Kronas per dollar.
- C) 1.5 Kronas per dollar.
- D) 0.5 Kronas per dollar.
- E) 0.4 Kronas per dollar.

Question 13

If there is high inflation and the NBU follows a policy to reduce the inflation rate, we can expect that in the short run, the economy will experience _____ with _____ unemployment.

- A) fast growth, high
- B) a recession, low
- C) a recession, high
- D) fast growth, low
- E) none of the above

Question 14

If Ukraine exports more than it imports,

- A) Ukraine's net capital outflow must be negative.
- B) Ukraine's net exports are negative.
- C) Ukraine's net capital outflow must be positive.
- D) Ukraine is running a trade deficit.
- E) Ukraine's net exports are positive.

Question 15

If the interest rate is below equilibrium in the money market, people will choose to _____ their interest bearing accounts in banks, causing the interest rate in the economy to _____

- A) deposit some money into, increase.
- B) deposit some money into, decrease.
- C) withdraw some money from, increase.
- D) withdraw some money from, stay the same.
- E) withdraw some money from, decrease.

Question 16

Suppose the government increases its spending by \$200 billion. How much will aggregate demand increase overall, if the marginal propensity to consume is 0.9 and if we assume there is no crowding out of investment?

- A) \$180 billion
- B) \$200 billion
- C) \$1,800 billion
- D) \$2,000 billion
- E) \$20,000 billion

Question 17

If there were cost-push inflation caused by decreased aggregate supply,

- A) both the real domestic output and the price level would decrease.
- B) the real domestic output would increase and rises in the price level would become smaller.
- C) the real domestic output would decrease and the price level would rise.
- D) both the real domestic output and the price level would increase.
- E) None of the above.

Question 18

Suppose the CPI at the end of 2004 was 150 and the CPI at the end of 2005 was 165. Calculate the inflation rate for 2005,

- A) 15%.
- B) 30%.
- C) 5%.
- D) 10%.
- E) 25%.

Question 19

The unemployment that results because it takes time for workers to search for the jobs that best suit their tastes and skills is called _____ unemployment:

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

Question 20

When a country introduces an import duty (tax) on a good that is also produced domestically, the following is expected to happen:

- A) Demand for domestic goods decreases and price goes up.
- B) Demand for imported good decreases and price goes up.
- C) Demand for imported good decreases and price goes down.
- D) Demand for both domestic and imported goods decrease.
- E) Demand is unchanged, price goes down.