



Online Scholarship Exam in Economics

2020

Question 1

If your tuition is \$2,000 this semester; your books and stationery cost \$400; your room, food and transport cost \$4,000 this semester; and you can only work 10 rather than 40 hours per week during the 15 weeks you are taking classes and you make \$12 per hour, then your total cost of attending the university this semester is

- A) \$2,400.
- B) \$6,400.
- C) \$7,800.
- D) \$11,800.
- E) \$13,600.

Question 2

If Alex equally likes reading paper books and e-books and the price of e-books decreases (other things constant), then

- A) the demand for e-books decreases.
- B) the demand for paper books increases.
- C) the demand for paper books decreases.
- D) this does affect consumer's demand.
- E) price of paper books decreases.

Question 3

Suppose that price of buckwheat (гречка) increases from 25 to 40 UAH per kilogram, the quantity demanded by consumers decreases from 1000 to 850 tons. What is the price elasticity of buckwheat in this case?

- A) 4.
- B) 0.25.
- C) -0.25.
- D) -4.
- E) -10.

Question 4

Assume Dell Computer Company operates in a perfectly competitive market producing 5,000 computers per day. At this output level, price equals this firm's short-run marginal cost. Assuming price exceeds average variable cost, to maximize profits Dell should

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

Question 5

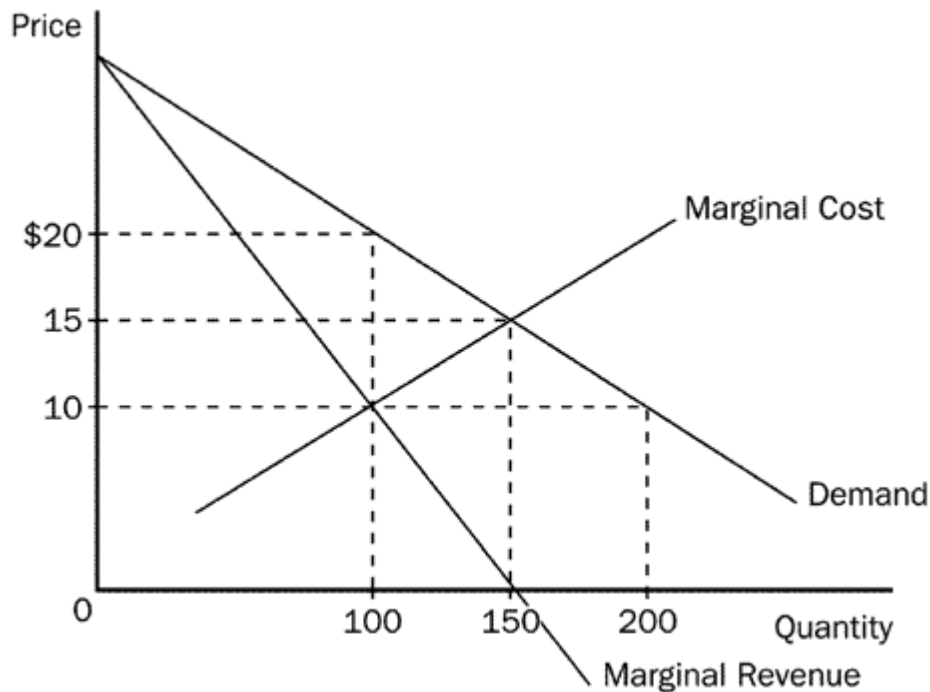
In the long run, a competitive firm

- A) can shut down, but it cannot exit the industry.
- B) has no fixed factors of production (inputs).
- C) uses both variable and fixed factors of production (inputs).
- D) can vary all inputs, but it cannot change the mix of inputs it uses.

E) must make positive economic profits.

Question 6

Refer to the diagram below. The monopolist's maximum profit



- A) is \$800.
- B) is \$1,000.
- C) is \$1,250.
- D) is \$2,000.
- E) cannot be determined from the diagram.

Question 7

Suppose there is a paper and pulp factory that pollutes river, on which it is located. Without any regulation,

- A) this market is characterized by a positive externality.
- B) at the level of market output of paper, the marginal benefits to society exceed the marginal costs to society.

- C) at the level of market output of paper, the marginal benefits to society exceed the private marginal costs of production.
- D) at the level of market output of paper, the private marginal costs of production exceed the marginal costs to society.
- E) the market output of paper exceeds the socially optimal level of output.

Question 8

(do not mix up answers) The total revenue from a tax levied on a good is likely to be greatest when:

- A) Demand is elastic, supply is elastic
- B) Demand is elastic, supply is inelastic
- C) Demand is inelastic, supply is elastic
- D) Demand is inelastic, supply is inelastic
- E) None of the above

Question 9

Consider the economy represented in the table.

Item	Millions of dollars
Wages paid to labour	800,000
Consumption expenditure	650,000
Taxes paid on wages	200,000
Government payments to support unemployed, sick, & aged	50,000
Firms' profits	200,000
Investment	250,000
Taxes paid on profits	50,000
Government expenditure on goods and service	200,000
Exports	250,000
Saving	200,000
Imports	300,000

GDP in this economy, in millions of dollars, is

- A) \$850,000.
- B) \$1,050,000.
- C) \$1,150,000.
- D) \$1,350,000.
- E) \$2,550,000.

Question 10

You are provided with the following information for a closed economy: $C = 1000 + 0.8Y^d$, (where Y^d is a household disposable income), $I = 800$, $G = 2000$, and $T = 1000$. The equation for household saving, S , for the above economy is:

- A) $-1,000 + 0.2Y^d$.
- B) $-1,000 + 0.8Y^d$.
- C) $-1,000 - 0.25 Y^d$.
- D) $1,000 + 0.8 Y^d$.
- E) $3,000 + 0.8 Y^d$.

Question 11

Which of the following would cause the aggregate demand curve to shift to the right?

- A) an increase in real interest rates
- B) a decrease in the money supply
- C) an increase in expected future taxes
- D) an increase in purchases by the central government
- E) a decrease in purchases by the central government

Question 12

Which of the following groups are "losers" from unexpected inflation?

- A) employees with inflation-adjusted wages
- B) freelancers with international contracts
- C) households having fixed-rate mortgages in local currency
- D) individuals who took consumption loans in local currency
- E) people who own Treasury Bills

Question 13

Suppose a pint of beer on average costs 3 British pounds in the UK and 60 hryvnias in Ukraine. If purchasing-power parity holds, what is the nominal exchange rate between hryvnia and British pound?

- A) 0.05 hryvnias per pound.
- B) 0.33 hryvnias per pound.
- C) 20 hryvnias per pound.
- D) 30 hryvnias per pound.
- E) 180 hryvnias per pound.

Question 14

If a country fixes the exchange rate for its currency relative to other currencies under a fixed exchange rate regime, and if the official exchange rate is overvalued relative to its fundamental value, then

- A) the most likely ultimate outcome is a revaluation of its currency.
- B) the most likely ultimate outcome is a devaluation of its currency.
- C) the country's central bank will likely be able to indefinitely support its value by using its international reserves to buy its currency on the foreign exchange market.
- D) the country's central bank can ease its monetary policy to increase the fundamental value of its currency and eliminate the overvalued status.
- E) the country's central bank will choose to move to a flexible exchange rate regime.

Question 15

Assume that the National Bank of Ukraine increases the monetary base by UAH 1 billion when the actual reserve-to-deposit ratio of the banking system is $1/7$. As a result, the money supply will:

- A) increase by UAH 1 billion
- B) decrease by UAH 1 billion
- C) increase by UAH 7 billion
- D) decrease by UAH 7 billion
- E) not enough information to provide the answer