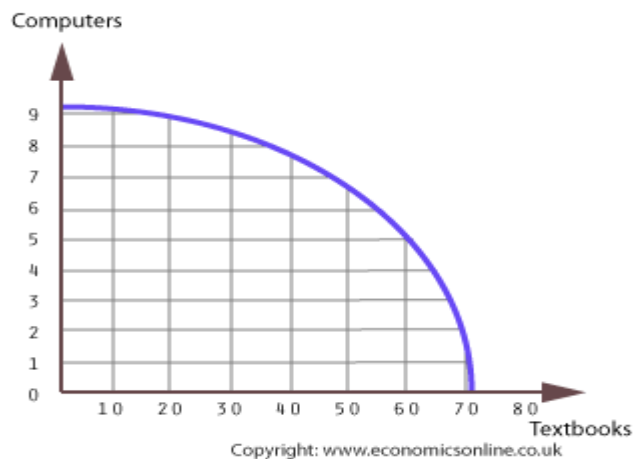


SAMPLE QUESTIONS ECONOMICS

- The following questions are a random sample of past exam questions to indicate the types of questions you can expect.
 - This is not aimed to be a sample test as certain topics are not covered in the questions below.
 - The answers to these questions can be found at the end of this test.
1. If an economist analyzes the effect of a price change on the demand for Pepsi, he assumes that all other things (such as the price of Coca Cola) are equal. Why is it useful to do so?
 - A. It allows him to review a single relationship between two variables.
 - B. It is easier to run an experiment if you control the environment.
 - C. It helps him in generalizing the results.
 - D. It allows him to measure the true effect of a price on the supply.
 2. Which of the following is a microeconomics question?
 - A. What will be the level of total production in the national economy?
 - B. How much will be saved and how much will be produced in the Dairy sector in Brazil?
 - C. What factors determine the production cost of carrots faced by an individual farmer?
 - D. Did Mario Draghi influence the level of European investments by decreasing the interest rate?
 3. Which of the following terms has the following definition? “the highest valued alternative given up when a person chooses to engage in an activity”.
 - A. Opportunity costs.
 - B. Transaction costs.
 - C. External costs.
 - D. Economic costs.
 4. Which of the following statements about trade-offs is correct?
 - A. Anytime you have to decide which action to take, you are facing an economic trade-off.
 - B. The richer you are, the less trade-offs you face.
 - C. A production possibilities frontier (PPF) shows the trade-off as faced by an individual consumer.
 - D. The trade-off decreases if there is a cost reduction.

5. What is unique about the 'entrepreneurial ability' production factor?
- It cannot produce goods by itself.
 - It earns income from producing goods and services.
 - It is supplied by human resources.
 - It involves combining the other factors of production.
6. Which of the statements below is applicable if a society decides it wants more of one good, but all resources are fully used?
- The production of that good can be expanded by technological development.
 - The production of this good will lead to inflation.
 - Unemployment will increase when producing that good.
 - The government has to organize the additional supply of that good.
7. Review the picture of the Production Possibilities Frontier.



- Is it possible to consume 7 computers and 50 textbooks in this economy?
- Yes, this could be possible but it will lead to inflation.
 - Yes, this could be possible if fewer other items are produced.
 - Yes, this could be possible under autarky.
 - Yes, this could be possible with international trade.
8. What relationship between specialization and trade is **not** correct?
- The total production can increase through specialization.
 - Specialization by all individual workers in a system implies more intensive trade.
 - People who specialize, most often trade with others.
 - Specialization with direct trade leads to lower transaction costs.

9. What is a characteristic of a highly competitive market?
- A. There is a small number of independent sellers.
 - B. There is a small number of independent buyers.
 - C. Heterogeneous products are traded on this market.
 - D. There often isn't a physical place where supply and demand meet.
10. What is the technical description of 'demand-curve' in a market?
- A. A curve in a graph that shows how demand changes if prices change, other factors remaining the same.
 - B. A curve in a graph that shows how demand changes if supply changes, other factors remaining the same.
 - C. A curve in a graph that shows how demand changes if income changes, other factors remaining the same.
 - D. A curve in a graph that shows how demand changes if taxes change, other factors remaining the same.
11. Suppose a shortage suddenly appears at the current market price. Which of the following could **not** be a possible cause?
- A. A sudden decrease in demand.
 - B. A sudden increase in demand.
 - C. A sudden decrease in supply.
 - D. A sudden increase in demand and a sudden decrease in supply.
12. The price of **coffee** has risen in the past few years. What happens to the demand for **tea**, assuming that tea is a substitute product for coffee?
- A. Nothing, it remains the same.
 - B. It decreases because the income of coffee producers has decreased.
 - C. It increases because people prefer to drink tea over coffee.
 - D. It decreases because the income of tea producers has relatively decreased.
13. When more firms start producing a product, which of the following happens?
- A. An increase in market demand.
 - B. A higher market price.
 - C. An increase in production.
 - D. An increase in market supply.
14. If the current market price is \$ 3 a unit and a price ceiling, i.e. a maximum price, is imposed at \$ 2, which of the following is correct?
- A. A price of \$ 2 a unit is the legally allowed minimum price.
 - B. A shortage will develop when the price ceiling is implemented.
 - C. There will be a decrease in the quantity demanded.
 - D. Suppliers will make a profit more easily.

ANSWERS

- 1. A**
- 2. C**
- 3. A**
- 4. A**
- 5. D**
- 6. A**
- 7. D**
- 8. D**
- 9. D**
- 10. A**
- 11. A**
- 12. C**
- 13. D**
- 14. B**