

Economics Olympiad of Ireland –

Sample Paper 1 –

Answer 25 questions 4 for a correct answer, -1 of an incorrect attempt, 0 for an unattempted question

- 1) Economics is the study of how
 - a) To fully satisfy our unlimited wants
 - b) **Society manages its scarce resources**
 - c) To reduce our wants until we are satisfied
 - d) To avoid having to make trade-offs
 - e) Society manages its unlimited resources

- 2) A rational person does not act unless
 - a) The action makes money for the person
 - b) The action is ethical
 - c) The action produces marginal costs which are greater than marginal revenue.
 - d) **The action produces marginal revenue which are greater than marginal costs.**
 - e) None of the above.

- 3) Which of the following is *not* a factor of production?
 - a) Land
 - b) Labour
 - c) Capital
 - d) **Money**
 - e) None of the above

- 4) Positive statements are
 - a) Microeconomic
 - b) Macroeconomic
 - c) Statements of prescription that involve value judgements
 - d) **Statements of description that can be tested**
 - e) None of the above

- 5) You have spent €1,000 on a burger stand based on estimates of sales of €2,000. The burger stand is nearly completed, but now you estimate total sales to be only €800. You can complete the burger stand for another €300. Should you complete the stand? (Assume that the hot dogs cost you nothing)
 - a) **Yes**
 - b) No
 - c) There is not enough information to answer the question.

- 6) Jack is consuming his 3rd coffee which give 10 utils at a cost of €2.50. He also consumers his 2nd slice of cake for €5. How much utility should the 2nd slice of cake give Jack if he is to maximise his utility according to the Equi-marginal Principle?
- a) 10 utils
 - b) 15 utils
 - c) 20 utils
 - d) 25 utils
- 7) Because people respond to incentives, we would expect that if the average salary of accountants increases by 50% while the average salary of teachers increases by 20%.
- a) The points for CAO courses that lead to accounting qualifications will increase.
 - b) The points for CAO courses that lead to teaching qualifications will increase at the expense of courses that lead to an accounting type qualification.
 - c) Fewer students will attend college.
 - d) None of the above.
- 8) An increase in the price of beef provides
- a) Information that tells consumer to buy more beef.
 - b) Information that tells consumers to buy less pork.
 - c) Information that tells producers to produce more beef.
 - d) No information because the prices in a market are managed by planning boards.
- 9) If an increase in the price of blue jeans leads to an increase in the demand for tennis shoes, then blue jeans and tennis shoes are
- a) Substitutes
 - b) Complements
 - c) Normal goods
 - d) Inferior goods
 - e) None of the above
- 10) If an increase in consumer income leads to a decrease in the demand for camping equipment, then camping equipment is
- a) A complementary goods
 - b) A substitute
 - c) A normal good
 - d) An inferior good
 - e) None of the above
- 11) In general, a flatter demand curve is likely to be
- a) Price elastic
 - b) Price inelastic
 - c) Unit price elastic

- d) A necessity
 - e) None of the above
- 12) For a price ceiling to be a binding constraint (to have a meaningful impact) on the market, the government must set it
- a) Above the equilibrium price
 - b) Below the equilibrium price**
 - c) Precisely at the equilibrium price
 - d) At any price because all price ceilings are binding constraints
- 13) Producer surplus is the area
- a) Above the supply curve and below the price.**
 - b) Below the supply curve and above the price.
 - c) Above the demand curve and below the price.
 - d) Below the demand curve and above the price.
 - e) Below the demand curve and above the supply price.
- 14) When an individual purchases a car in a congested urban area, it generates
- a) An efficient market outcome
 - b) A technology spillover
 - c) A positive externality
 - d) A negative externality**
- 15) A public good is
- a) Both rival in consumption and excludable
 - b) Neither rival in consumption nor excludable**
 - c) Rival in consumption but not excludable
 - d) Not rival in consumption but excludable
- 16) A progressive tax system is one where
- a) Marginal tax rates are low
 - b) Marginal tax rates are high
 - c) Higher income taxpayers pay more taxes than do lower income taxpayers
 - d) Higher income taxpayers pay a greater percentage of their incomes in tax than do lower income taxpayers.**
- 17) The competitive firm maximises profit when it produces output up to the point where
- a) Marginal cost equals total revenue
 - b) Marginal revenue equals average revenue
 - c) Marginal cost equals marginal revenue**
 - d) Price equals variable cost
- 18) According to the human capital view of education, education
- a) Increases human capital and wages of workers**
 - b) Only helps to sort out workers into high ability and low ability workers.
 - c) Has no impact on the ability of workers

- d) Can make any worker into a superstar
- 19) An example of a transfer payment is
- a) Wages
 - b) Profit
 - c) Rent
 - d) Government purchases
 - e) Unemployment benefits
- 20) Gross domestic product is the sum of market value of the
- a) Intermediate goods
 - b) Manufactured goods
 - c) Normal goods and services
 - d) Inferior goods and services
 - e) Final goods and services
- 21) If nominal GDP in 2020 exceeds nominal GDP in 2019, then the production of output must have
- a) Risen
 - b) Fallen
 - c) Stayed the same
 - d) Risen or fallen because there is not enough information to determine the what happened to real output.
- 22) In 2019, the CPI was 124.0. In 2020 it was 130.7. What was the rate of inflation over this period?
- a) 5.1%
 - b) 5.4%
 - c) 6.7%
 - d) 30.7%
 - e) You cannot know without knowing the base year.
- 23) If a depositor puts €100 in a bank account that earns 4% annually, how much will be in the account after 5 years?
- a) €104.00
 - b) €120.00
 - c) €121.67
 - d) €123.98
 - e) €400.00
- 24) If the ECB sets the reserve ratio at 25%, the value of the money multiplier (of new deposits) is
- a) 0.25
 - b) 4
 - c) 5
 - d) None of the above

- 25) Suppose a cup of coffee is €1.5 in Germany and \$0.50 in the US. If purchasing power parity holds, what is the nominal exchange rate between Euros and Dollars?
- a) 1/3 Euro per Dollar
 - b) 3 Euros per Dollar
 - c) 1.5 Euro per Dollar
 - d) 0.75 Euro per Dollar
- 26) Suppose that there is an injection of €30 m. $MPC= 0.8$, $MPM= 0.3$ and $MPT = 0.3$. What will be the monetary value of the multiplier?
- a) €7.5
 - b) €39.5
 - c) €37.5m
 - d) €42.5
- 27) The Central Bank of Ireland is part of the
- a) European Central Bank
 - b) European Central Bank Alliances
 - c) Irish Banking and Regulators Alliance
 - d) European System of Central Banks
- 28) _____ first advocated the use of Fiscal Policy to stimulate economies during the Great Depression.
- a) Joel Schumpeter
 - b) Adam Smith
 - c) David Ricardo
 - d) Thomas Malthus
 - e) None of the above.
- 29) _____ gave us the Canons of Taxation
- a) Joel Schumpeter
 - b) John Maynard Keynes
 - c) David Ricardo
 - d) Thomas Malthus
 - e) None of the above
- 30) Which of the following happened at the beginning of the 21st Century?
- a) The Great Depression
 - b) The Collapse of Gold Standard
 - c) The Emergency
 - d) The Great Recession

