

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 3<sup>rd</sup> coffee which give 10 utils at a cost of €2.50. He also consumers his 2<sup>nd</sup> slice of cake for €5. How much utility should the 2<sup>nd</sup> 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 21<sup>st</sup> Century?
- a) The Great Depression
  - b) The Collapse of Gold Standard
  - c) The Emergency
  - d) The Great Recession

