KÖZGAZDASÁGI ALAPISMERETEK
(ELMÉLETI GAZDASÁGTAN)
ANGOL NYELVEN
THE BASICS OF ECONOMICS
(THEORETICAL ECONOMICS)

2007. május 25. 8:00

KÖZÉPSZINTŰ ÍRÁSBELI VIZSGA
STANDARD LEVEL
WRITTEN EXAMINATION

Az írásbeli vizsga időtartama: 180 perc
Duration of the written exam: 180 minutes

OKTATÁSI ÉS KULTURÁLIS MINISZTÉRIUM
MINISTRY OF EDUCATION AND CULTURE
Important Information

The test sheet is complex, broken down into sections according to the different types of questions. When working out the solution please take into account the additional information set in italic font. Please follow the provided instructions when answering the question. Maximum score will only be given, if all subsections of the question have been answered. The points available for each subsection of individual questions are indicated. The maximum score is 100.

Solutions and elaborations are to be written on the test sheet. All drafts are to be written on the additional pages provided. If the answer necessitates additional pages, please indicate this next to the relevant question.

Pencils may be used to draw up diagrams, the final solution, however; has to be finalized in pen.

Please use a ruler to provide precise diagrams.

During the written examination you may only use non-programmable calculators.

Good luck with your examination!
1. Multiple Choice (10x2 = 20 points)

We have provided 4 possible answers to correctly complete the statement in the question, but only one of them is correct. The other answers are either partially correct or completely wrong. Choose the letter corresponding to the correct answer and write it into the table preceding the question, into the slot corresponding to the number of the given question.

Attention! Only one answer will be accepted. No points will be awarded for multiple or unclear answers.

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<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
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1. The most important production factors are
   a) capital, labour, and money.
   b) capital, the market, and land.
   c) labour, land, and money.
   d) capital, labour, and land.

2. If the market price of the product increases, then this can be followed by
   a) moving downwards on the supply curve.
   b) moving left on the supply curve.
   c) moving upwards on the supply curve.
   d) if the supply curve shifts to the right.

3. The average product of labour
   a) equals the volume of production per 1 working hour.
   b) is the quotient of the changes in production and the working hour.
   c) equals the length of the working hour per 1 product.
   d) is the quotient of the changes in production and the changes in the working hour.

4. The typical characteristics of a monopoly market include:
   a) One company can fulfil the entire market demand on its own.
   b) Only a few companies are competing on the market.
   c) The companies accept market prices.
   d) Both a) and b).

5. Which of the following statements is true for public goods?
   a) The commodity is consumed jointly.
   b) Consumers, who do not pay are excluded from consumption.
   c) The consumption of the individual significantly decreases the available stock.
   d) There is rivalry between consumers.

6. The consumption function is linear, the sloping of the function equals
   a) the index number of the marginal propensity to consume.
   b) the index number of autonomous consumption.
   c) the quotient of income and consumption.
   d) None of the above.
7. Let us suppose that there is excess supply on the labour market of a macro-economy. Labour market equilibrium can be facilitated by
   a) an increase in real wages.
   b) entry of new employees on the labour market.
   c) an increase in labour supply.
   d) an increase in labour demand.

8. M1 monetary stock includes
   a) cash.
   b) demand deposits.
   c) both.
   d) neither.

9. State budget deficit increases, if the government
   a) cuts taxes.
   b) decreases transfer payments.
   c) decreases its expenditure to be used to realize road construction projects.
   d) increases VAT rates.

10. In terms of the regulation of the foreign trade of countries, free trade policies
    a) promote foreign trade without barriers.
    b) have a preference towards domestic producers as opposed to foreign producers.
    c) restrict imports.
    d) encourage exports.

20 points
II. Written questions

1. True/false question (6x2 = 12 points)

Decide whether the statements below are true or false. Please mark your decision by writing the letters T (true) or F (false) in front of the statements. Crossed out letters or unclear markings will not be accepted.

ATTENTION! ALL ANSWERS HAVE TO BE EXPLAINED! All correct explanations are worth 2 points.

1) The demand curve usually decreases from left to right.

2) The supply function of a competing company is identical to the upwards side of the marginal cost function.

3) If a producer has a comparative advantage in a certain activity, then he cannot have an absolute advantage over other producers in other activities.

4) Interest is primary income.

5) The increase of the amount of nominal money can cause demand-pull inflation.

6) If the state wants to increase employment in the economy, it can reach this goal by increasing subsidies granted to households within the framework of budgetary policy.
2. Definitions (4x2 = 8 points)

Write down briefly, in 2-4 lines, the definitions of the following concepts and economic phenomena.

A) Basic questions of economics

B) Implicit cost

C) Demand-pull inflation

D) Money supply
3. Elaborative question

Please answer this question in several sentences, elaborating on the correlations on which your answer is based in detail. Make sure your thoughts are conveyed clearly and coherently. Structure your answers in a way that corresponds to your main thoughts.

Describe the concept of externality and illustrate its existence with examples. Present the differences between social and personal evaluation with a diagram that illustrates a negative externality. List the different types of tools by which such external effects can be terminated or moderated.

8 points
4. Complete the sentences (5 points)

How do the SNA index numbers change as a result of the following events?

Complete the following statements on the performance of the national economy to make them true using the words INCREASES, DECREASES or REMAINS UNCHANGED (when answering the question, consider every other circumstance as unchanging).

4.1st If the citizens of the country are able to earn more income abroad, and the GDP remains the same, then the value of the GNI ..........................................................

4.2nd If the citizens of the country send more transfers abroad and the domestic income remains the same, then the value of the GDP ..........................................................

4.3rd If foreigners have a larger share from the same GDP, then the value of the GNI ...

4.4th If transfers sent abroad increase and the domestic income of the national economy ...

4.5th If the increase in price levels is greater than the increase in nominal GDP, the value of the real GDP ...

5 points
5. Analysis, evaluation question  (7 points)

Your task is to evaluate the effects of a certain market event. Answer in a couple of sentences, or select and mark the correct answer(s) from the options provided.

Let us suppose that kiwis and green apples are substitute products. The price of green apples has been increased by 20 percent. All other market conditions remain unchanged.

5.1st With the help of which elasticity index number can it be proven that the two products can substitute each other?

............................................................................................................................................
............................................................................................................................................

5.2nd What effect does the increasing of the price of green apples have on kiwi demand?

Underline the correct answers, or circle the corresponding letters.

A) Even with unchanging kiwi prices, the quantity of kiwis bought will increase.
B) If people buy fewer green apples, then more kiwis will be bought.
C) Kiwi buying will remain the same, because its price has not changed.
D) Demand will drop for both commodities.
E) The demand function of kiwis will shift to the left.
F) The demand function of kiwis will shift to the right.

5.3rd Write down at least two events that would result in a change in green apple supply (shifting of the supply curve).

............................................................................................................................................
III. Calculation and plotting questions

Please precisely follow the instructions indicated for each question: Complete the necessary calculations and/or prepare the diagrams according to the given specifications, mark your answers with the number of the sub-question in the exercise.

Question 6 (3 + 1 + 4 = 8 points)

We only have insufficient data available on the cost functions of a fully competing company. These are shown in the table below. It is also known that the fixed cost of the company is 120.

<table>
<thead>
<tr>
<th>Name</th>
<th>Q</th>
<th>AC</th>
<th>AVC</th>
<th>TC</th>
</tr>
</thead>
<tbody>
<tr>
<td>MC minimum</td>
<td>2</td>
<td>50</td>
<td>4</td>
<td>164</td>
</tr>
<tr>
<td>AVC minimum</td>
<td>4</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AC minimum</td>
<td>8</td>
<td>25</td>
<td></td>
<td></td>
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</tbody>
</table>

6.1st Calculate the missing data.
6.2nd Draw an MC curve into the diagram that corresponds to the given cost functions.

6.3rd Give the exact coordinates of the points that are the notable points of the short-term supply function of the company. Write the known data in the table below.

<table>
<thead>
<tr>
<th>Notable points</th>
<th>Q</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Break-even point</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business interruption point</td>
<td></td>
<td></td>
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</tbody>
</table>

8 points
Two brothers are planning to open an herb store. The opening of this store requires great sacrifices from both of them. On the one hand, they would have to quit their current jobs, where Virág earns HUF 90000 and Kamilla earns HUF 60000 per month. On the other hand, the starting capital would be covered from their savings, which is why they have to take out HUF 1 million from the bank, which yielded 10 percent interest annually as a fixed deposit. The store would be located in a garage that they used to let out for HUF 10000 per month. Due to the nature of the product in question, they do not need any special equipment, only a counter and storage space, which they could buy for HUF 900000 and which they can use for 4 years.

The operating costs of the store (gas, electricity, telephone, etc.) will be HUF 70000 per month. They do not plan to hire any employees. They will take care of purchasing at the beginning of every month, buying products for HUF 80000. They do not plan to maintain stock.

Based on financially sound calculations anticipated annual income will reach HUF 4400000.

Answer the following questions taking the above data into account.

7.1st  Calculate the annual amortisation.
7.2nd  Calculate the value of annual purchases.
7.3rd  Calculate the size of wage which the two sisters lose in a year.
7.4th  Calculate the annual accounting costs of the enterprise.
7.5th  Calculate the size of implicit cost for the year.
7.6th  Calculate the size of the annual accounting profit and the normal profit.
7.7th  Does the enterprise have economic profit? Is it worthwhile to start up and operate the enterprise? Explain your answer.
The diagram below shows the currency market of a country that fixed the exchange rate of its currency at $\text{HUF}240/\text{€}$ and allows for a deviation of $\pm 5$ percent. If as a result of changes on the market the exchange rate should fall outside the permitted range, the central bank will take the necessary monetary measures to keep the exchange rate within the permitted range.

Due to changes in comparative advantages and the expansion of foreign trade relations, the situation of the currency market has changed significantly. In this new situation the data of demand and supply are as follows:

<table>
<thead>
<tr>
<th>Exchange rate (Ft/€)</th>
<th>200</th>
<th>220</th>
<th>240</th>
<th>260</th>
<th>280</th>
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</thead>
<tbody>
<tr>
<td>Currency demand</td>
<td>-</td>
<td>2400</td>
<td>2000</td>
<td>1600</td>
<td>1200</td>
</tr>
<tr>
<td>Currency supply</td>
<td>-</td>
<td>1200</td>
<td>1400</td>
<td>1600</td>
<td>1800</td>
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</tbody>
</table>

8.1st Illustrate the new functions in the coordinate system below.
8.2nd Determine how much the free market currency exchange rate would be. Does this change of exchange rate mean the strengthening or the weakening of the domestic currency?
8.3th Characterise the relationship of supply and demand on the currency market in this new situation in case of a mid-level fixed exchange rate.
8.4th What does the central bank have to do in such a market situation, if it wishes to keep the fixed exchange rate? (What is the direction and extent of the central bank intervention needed to keep the exchange rate with the permitted range?)
Solution of question 8
Question 9 (2+7+2+1 = 12 points)

The table below shows some data of the commodity market of a national economy. The price level and the interest rate are kept at a constant level by the appropriate monetary measures. The government is part of the economic process, since its purchases create demand on the commodity market, it supports households with 25 units of transfer, and its income is derived from 145 units of tax.

\[
\begin{array}{|c|c|c|c|c|}
\hline
Y & C(Y_{DI}) & I & G & Y^D \\
\hline
4000 & 3300 & & & \\
4100 & & & & \\
4200 & 3460 & & & 4240 \\
4300 & & & & \\
4400 & 3620 & & & \\
4700 & & & 3700 & \\
5000 & & & & 4720 \\
\hline
\end{array}
\]

9.1st Determine the marginal propensity to consume and the value of autonomous consumption based on the data in the table.

9.2nd Complete the table.

9.3rd Determine the balance of the budget.

9.4th Determine the income level that would ensure equilibrium on the commodity market.

12 points
Solution of question 9
## Közgazdasági alapismeretek (elméleti gazdaságtan)
angol nyelven — középszint

**Név:** ...........................................................  **osztály:**......

### Topic
- **Simple questions**
  - Multiple choice questions
    - **Maximum points:** 20
    - **Points scored:**
      - **Points scored in topic:** 20
- **Written questions**
  - True/false questions
    - **Maximum points:** 12
    - **Points scored:**
      - **Points scored in topic:** 40
  - Definitions
    - **Maximum points:** 8
    - **Points scored:**
      - **Points scored in topic:** 8
  - Elaborative question
    - **Maximum points:** 8
    - **Points scored:**
      - **Points scored in topic:** 8
  - Completing sentences
    - **Maximum points:** 5
    - **Points scored:**
      - **Points scored in topic:** 5
  - Analysis, evaluation question
    - **Maximum points:** 7
    - **Points scored:**
      - **Points scored in topic:** 7
- **Calculation and plotting questions**
  - 6.
    - **Maximum points:** 8
    - **Points scored:**
      - **Points scored in topic:** 8
  - 7.
    - **Maximum points:** 12
    - **Points scored:**
      - **Points scored in topic:** 12
  - 8.
    - **Maximum points:** 8
    - **Points scored:**
      - **Points scored in topic:** 8
  - 9.
    - **Maximum points:** 12
    - **Points scored:**
      - **Points scored in topic:** 12
- **TOTAL**
  - **Maximum points awardable for the topic:** 100
  - **Points scored in topic:** 100

**Points of written examination**
- **Maximum points awardable:** 100
- **Points scored:** 100

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**Correcting teacher**

**Date:** ..........................................

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**Elért pontszám Points scored**
- Rövid válaszú igénylő feladatsor
  - **Points entered into programme:**
- Szöveges feladatok
  - **Points entered into programme:**
- Számítási és grafikus feladatok
  - **Points entered into programme:**

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**Programba beírt pontszám Points entered**

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**javitó tanár / Correcting teacher**

**Dátum / Date:** ..........................................

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**jegyző / Notary**

**Dátum / Date:** ..........................................

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irásbeli vizsga 0621 16 / 16 2007. május 25.