TEST QUESTIONS

1. Multiple choice questions  
   1. b  
   2. c  
   3. b  
   4. c  
   5. b  
   6. c  
   7. a  
   8. a  
   9. b  
   10. b

2. True/false questions  

   1. F  The rational consumer strives to achieve maximum total profit.  
   2. F  Nominal wages are the numerical equivalent of money income.  
   3. T  On a fully competing market the income of a company increases by the market price, when it sells new products.  
   4. F  From a welfare point of view, a monopoly market is worse, as it produces less products and sells them at a higher price than a fully competing market.  
   5. T  Time spent at work is sacrificed leisure. Leisure has an effect on our quality of life as well, therefore; it is also a useful commodity.  
   6. F  Interest rate hikes decrease investment demand, while decreasing interest rates increases it. Interest rates are a cost to the investor. Higher interest rates mean higher costs and that is why investment demand decreases.  
   7. F  The statement is only true for real wages above equilibrium real wages. Increases in real wages decrease labour demand and increase labour supply, which is why unemployment grows—above equilibrium real wages.  
   8. F  When purchasing for credit, money is a means of payment.  
   9. F  Current items accounts serve to account the flow of incomes in the macro-economy.  
  10. F  The state can spend more than what it can draw in from its revenues by borrowing from the other players of the economy.
3. Definitions  

10 x 2 = 20 points

1. Marshall–cross: Plotting of the supply/demand function in a coordinate system. It is an important analytical tool in economics. It can be used to characterize the market of product or a production factor.

2. The principle of diminishing wants: Gossen’s first law. This means that, if the consumer increases his/her consumption of a product, then the total profit increases at a decreasing rate, that is marginal utility is diminishing.

3. Market period: Refers to the fact that the company is unable to change the quantity of production factors in such a short period of time, meaning it can only adjust to changes on the market by way of its existing stock.

4. Economic profit: the difference between incomes and total economic costs.

5. Natural elements: Material phenomena available freely in nature, which can be used for production in their original form, e.g. soil, water, air.

6. Net investment: Refers to gross investment substitution; referring to expanding investment; the increment of accumulated means in excess of the value of tangible assets (fixed capital) used up in the course of production.

7. Central bank: (national bank)  
The bank exclusively authorized to issue bank notes, which are used and accepted by everyone in a given country (MNB in Hungary). Its task is to regulate the volume of money in circulation.

8. Inactive population: A part of the population that is capable of work, but does not intend to work. Instead they work in households, inherit property or live off of other types of income.

9. Technological unemployment: Unemployment that develops as a result of technological advancement.

10. Demand inflation: It comes about as a result of the fact that the elements of macro-supply continue to grow, when supply does not change.
IV. CALCULATION AND GEOMETRICAL QUESTIONS 50 points

Question 1 10 points

Economic profit:  50 – 40 = HUF 10 million
Accounting cost:  50 – 22 = HUF 28 million
Amortisation:  28 – 15 = HUF 13 million
Non-accountable implicit cost:  22 – 10 = HUF 12 million
Total implicit cost:  13 + 12 = HUF 25 million

5×2 = 10 points

Question 2 15 points

\( I_0 = \text{HUF} \ 1500 \quad P_x = \text{HUF} \ 250 \quad P_y = \text{HUF} \ 300 \)
\[ x = \frac{1500}{250} = 6 \quad y = \frac{1500}{300} = 5 \]

2 points

The quantity of bananas after the price change: \( x = \frac{1500}{200} = 7.5 \)

1 point

\( I_2 = \text{HUF} \ 1800 \quad P_x = \text{HUF} \ 250 \quad P_y = \text{HUF} \ 300 \)
\[ x = \frac{1800}{250} = 7.2 \quad y = \frac{1800}{300} = 6 \]

2 points

The diagram shows the relationship between bananas and oranges with different price points and quantities.
Budget lines  
Indifference curve  
Best choice  

Question 3  

\[ \hat{c} = 0.75 \]  
\[ C_0 = 100 \]
\[ I = 150 \]

a. \[ C(Y) = 100 + 0.75Y \]  
\[ S(Y) = -100 + 0.25Y \]

b. \[ Y = 100 + 0.75Y + 150 \]  
\[ 0.25Y = 250 \]  
\[ Y = 1000 \]

c. \[ C(1000) = 100 + 0.75 \times 1000 = 850 \]

Question 4  

a. \[ \frac{W}{P} = 400 \]
\[ L^D = 2000 - 3 \times 400 = 800 \]
\[ L^S = 500 + 2 \times 400 = 1300 \]

800 thousand people are working.  
There is unemployment above equilibrium real wages: 1300 - 800 = 500 thousand unemployed persons

All data calculated correctly is worth 1 point.  
4×1 = 4 points

b. Labour market equilibrium: \[ L^D = L^S \]
\[ 2000 - 3 \frac{W}{P} = 500 + 2 \frac{W}{P} \]
\[ \frac{W}{P} = 300 \]

1 point

The number of employed: 500 + 2 × 300 = 1100 thousand persons

1 point
c. \[ W = 250 \]
\[ L^D = 2000 - 3 \times 250 = 1250 \]
\[ L^S = 500 + 2 \times 250 = 1000 \]

250 is lower than equilibrium real wages, therefore; there is scarcity of labour 3 points

d.

Naming of the axes 1 point
Drawing of points necessary to prepare diagram 3 points
Labour demand function 1 point
Labour supply function 1 point