Sample test

Test consists of two types of questions. There are multiple choice and true/false questions. The possible number (none, one or more) of answers is always present as a hint for a particular question.

Sample of the multiple choice questions:

1. In order to maximize his profits, a monopolist who wishes to practice price discrimination on two different markets must respect two conditions:

Select one from the following options.

- MR1 = MR2 = AC
- MR1 = MR2 > MC
- MR1 = MR2 > AR
- MR1 = MR2 = MC
- None of the option is correct

2. The current European Commission:

Select any number of options. None of the options may be correct as well as all of them may be correct.

- is composed of 25 commissioners
- the Commission is not accountable for its activity and cannot be dissolved
- it acts in accordance with a supra-national principle
- its term of office is 5 years

Sample of the true/false question:

3. New Keynesians claim, that business cycles are driven by monetary shocks.

Select a correct answer to the question.

- YES
- NO
Questions from previous Admission Exams

Basic Economics

Test zahrnuje i základní přehled o dalších ekonomických aspektech zejména o hospodářské politice, hospodářských dějinách či veřejné správě. Zde je ukázka pouze otázek z podstatně části testu – základní ekonomie.

Test consists also of questions regarding basic overview from Economic Policy, Economic History or for example Public Administration. Basic economics questions only are present in the sample below.

1. Charlie has a utility function \( u = 4(x+3) + 2(y+1) \). What is the marginal utility of \( x \)?

2. Anna has 100 dollars to spend. She consumes only apples and bananas. Apples cost 2 dollars each and bananas cost 6 dollars each. If she spends all her income, how many bananas does she have to give up in order getting an additional apple?

3. Tom maximize utility function is \( u = e^{x} \). Charlie is a) irrational, b) bounded rational, c) risk-neutral, d) risk-averse, e) risk-seeking

4. A firm moves from one point on a production isoquant to another point on the same isoquant. Does it change the ratio in which the inputs are combined? (Y/N)

5. The demand for apples is given by \( p = 98 - 2q \) and supply is given by \( p = 2 + 2q \). What is the equilibrium quantity?

6. If a profit maximizing firm finds that, at its current level of production \( MR < MC \), will it shut down? (Y/N)

7. In a Cournot duopoly there is an incumbent on the market (his \( MC=0 \)) who used to supply \( Q_1 = 300 \) tons of steel onto a market sized 600 tons of steel. Now an entrant enters the market (his \( MC=0 \)) who produces \( Q_2 = 150 \) tons of steel. The incumbent evaluates the situation and decides to produce 225 tons of steel. How will the entrant adjust and evaluates the situation, how many tons of steel will the entrant decide to produce?

8. In a situation where \( w < MRPL \), monopsony will earn negative economic profit. (Y/N)

9. A tunnel costs 19 million crowns to build. The profit maximising toll on the tunnel yields 3 million a year (disregard any other e.g. collecting costs). Yearly maintenance and safety costs of half a million will allow the tunnel to serve forever. What is the highest interest rate which would still make this investment worthwhile?

10. A good being consumed by buyers who value it most highly; and a model situation of a perfectly price discriminating monopolist is considered as situation where inefficiency exists. (Y/N)

11. Public goods are provided on a user fee basis but available to all of the public. (Y/N)

12. One neighbour lets his dog run through another neighbours’ garden, damaging her flowers. Assuming transaction costs are small, the Coase theorem would predict that private parties could arrive at an efficient solution. (Y/N)

13. Mobile phone trader buys used mobile phone for 2000 and sells it for 7000; GDP will raise by:

14. Consumption is 1970, all taxes together 230, GDP 2600, transfers 340, government purchases 280, net export minus 50 and investment 400. What is private saving?
15. Permanent income hypothesis describes this situation: Consumer quickly spends most of 
50,000 prize money for a nice holiday and saves only a negligible sum. (Y/N)

16. Deposits are 1200, reserve ratio is 1/8 and currency 400. Then, central bank changes the 
reserve ratio to 0.15. Money stock would be:

17. Suppose that the expected inflation rate is 3 percent in the United States and 1 percent in 
Japan. The real interest rates are 2.5 percent in both countries; let’s assume that purchasing 
power parity holds. What is the approx. nominal interest rate in each country?

18. The rate of job finding is 4 percent and the separation rate in an economy is 0.4 percent. If 
this economy has 480 workers in the labour force, the steady state unemployment rate is:

19. The simplest AK model assumes that: The saving rate is always lower than in the Solow 
model. (Y/N)

20. Assume the IS-LM model. If people care very much about their income level when deciding 
how much money to hold (the coefficient on interest rates in the money demand equation is 
high), this makes:

   o IS curve flatter
   o IS curve steeper
   o LM curve flatter
   o LM curve steeper
   o None of the option is correct

21. If the government increases expenditures on goods and services and increases taxation by 
the same amount, then aggregate demand will be unchanged. (Y/N)

22. If the expected rate of inflation raised at the same time the natural rate of unemployment 
rose, the short run Phillips curve will shift:

   o Up
   o Down
   o Will not shift
   o Depending on which effect was larger
   o None of the option is correct

23. Cold turkey solution to inflation in contrary to gradual disinflation takes longer time but 
annual real GDP losses are moderate. (Y/N)