

MOCK EXAM

(By James Lo)

ECONOMICS A-LEVEL PAPER 1

ECONOMICS AS-LEVEL

This paper must be answer in English (3 hours)

INSTRUCTIONS FOR SECTION A

1. Read carefully the instructions on the Answer Sheet. Stick a barcode label and insert the information required in the spaces provided.
2. When told to open this book, you should check that all the questions are there. Look for the words 'END OF SECTION A' after the last question.
3. You should mark all your answers on the Answer Sheet. You are advised to use an HB pencil to mark all your answers on the Answer Sheet, so that wrong marks can be completely erased with a clean rubber..
4. You should mark only ONE answer for each question. If you mark more than one answer, you will receive NO MARKS for that question.
5. All questions carry equal marks. No marks will be deducted for wrong answers.

1. Which of the following statements is not a tautology?
 - A. Market equilibrium is attained when quantity demanded is equal to quantity supplied.
 - B. Unemployment rate decreases when more people are able to find jobs.
 - C. Properties prices are affected by interest rate.
 - D. Individuals would maximize themselves under constraints.

2. The marginal use value of an individual on a good
 - A. changes over time.
 - B. is bigger than the average use value
 - C. is asserted to be decreasing.
 - D. must not in a negative value.

3. A useful Economics theory
 - A. must include more than two observable variables.
 - B. must be right in some situations.
 - C. must be agreed by most of the economists.
 - D. must be refutable by facts and not yet refuted.

4. Peter is willing to have injection only if someone pays him \$50000. Which of the following statement is correct?
 - A. The indifference curves of Mary cannot be drawn.
 - B. The indifference curves of Mary are downward sloping.
 - C. The indifference curves of Mary are convex to the origin.
 - D. The indifference curves of Mary must intersect somewhere.

5. Consumer surplus is
 - A. the discount enjoyed by consumers.
 - B. a part of tax.
 - C. that part of use value of a good exceeding the exchange value.
 - D. the amount a consumer is not willing to pay additionally.

6. Law of demand

- A. is a fact.
- B. is a hypothesis.
- C. is an assertion.
- D. is an empirical law.

7. When explaining human behaviours, law of demand is

- A. essential, because it restricts human behaviours.
- B. essential, because it is always true.
- C. not essential, because it is conceivably wrong.
- D. not essential, because quantity demanded is unobservable.

8. The price elasticity of demand is

- A. useful in predicting human behaviours.
- B. randomly assigned by economists.
- C. an unobservable variable.
- D. a postulate.

9. If the government imposes a rent control on domestic flats and sets rental ceilings substantially below the market rents,

- A. the reconstruction of domestic flats will be accelerated.
- B. repair and maintenance of the rent-controlled flats will be insufficient.
- C. a tenant may be required to pay a large amount to buy the key to the flat he rents from the landlord.
- D. All of the above.

10. If a scarce resource has no alternative use whatsoever, the factor income of the resource is

- A. rent.
- B. rent, and it is also a cost.
- C. profit.
- D. profit, and it is also a cost.

11. Giffen good

- A. is not an inferior good.
- B. its positive income effect is greater than negative substitution effect.
- C. refutes the law of demand.
- D. can only exist in one man economy.

12. Interest

- A. is a part of income.
- B. is a price one pays for earlier consumption.
- C. must have monetary value.
- D. can be charged by banks only.

13. When interest rate increases, the price of land will

- A. decrease.
- B. increase.
- C. be unchanged.
- D. be uncertain.

14. A monopolist

- A. face no competition.
- B. will produce more if it succeeds in extracting consumer surplus.
- C. always enjoys a monopoly rent.
- D. always produces at an output level where the price is higher than the marginal cost.

15. Which of the following statements about cost are correct?

- A. Marginal cost curve and average cost curve intersects when marginal cost is at its lowest.
- B. Marginal cost curve and average curve cost are the same, if fixed cost is equal to zero and marginal cost is constant.
- C. When the marginal cost is rising, the average cost may not be rising.
- D. When the marginal cost is falling, the average cost may be rising

16. Two Individuals trade with each other through a middleman; they pay the middleman a fee per unit of the good traded. Which of the following statements is correct?

- A. The arrangement is inefficient since the MUVs of them are not equal.
- B. The arrangement is efficient even though the MUVs of them are not equal.
- C. Rent Dissipations are resulted when MUVs of them are not equal.
- D. The middleman is a firm as it reduces the transaction costs of using market.

17. A fish ground with no restriction

- A. won't be privately owned.
- B. has high level of rent dissipation.
- C. brings the marginal fisher rent.
- D. won't affect the average volume of the fishes

18. David chose to give the watch to his girlfriend, instead of selling it out with the price of \$2000

- A. the resource has not attained it best use.
- B. it violates the postulate of wealth maximization,
- C. it brings rent dissipations.
- D. none of the above.

19. The demand curve of labour is downward sloping because

- A. the demand curve of the product is horizontal.
- B. the firm is a price searcher.
- C. the firm is a price taker.
- D. increases in the labour-capital ratio will result in decreases in the marginal productivity of labour

20 In one man economy, there is still

- A. competition.
- B. shortage.
- C. transaction cost.
- D. risk.

21. For a constant-cost industry in a long-run competitive equilibrium, an increase in the market demand for its product
- A. increases only the market price.
 - B. increases only the quantity supplied.
 - C. increases both the market price and the quantity supplied.
 - D. decreases the market price but increases the quantity supplied.
22. If an effective price floor is imposed on a good, there will be surplus. This statement constitutes 'disequilibrium' because
- A. the government will decrease the supply.
 - B. the quantity demanded is smaller than the quantity supplied.
 - C. some people who are willing to pay the price may not be able to obtain the good.
 - D. no testable implication can be derived.
23. Market price
- A. is a criterion which determines who wins and who loses.
 - B. is the maximum amount a consumer is willing to pay at the margin.
 - C. may not be necessary in directing the use of scarce resources.
 - D. All of the above.
24. The legislation of minimum wage rate
- A. creates surplus in labour market.
 - B. reduces disputes between employers and employees.
 - C. reduces the choice of contracts.
 - D. reduces transaction costs.
25. Which of the following pairings has terms that are closest in meaning?
- A. income maximization and wealth maximization
 - B. competition and discrimination
 - C. social cost and externality
 - D. an inferior good and a bad

26. In Mainland China, robbers tend to hurt victims even when victims do not resist, whilst in Hong Kong robbers tend not to hurt victims. Which of the following could explain this phenomenon?

- A. Mainlanders have lower education level
- B. There are more policemen in Mainland China
- C. There are more robbers in Mainland China
- D. The punishment is heavier in Mainland China

27. A public good

- A. makes resources distribution inefficient.
- B. is provided to the public free of charge.
- C. can be consumed by many individuals at the same time.
- D. must be provided by the government.

28. Some Legco members say constructing the high speed railway to Guangzhou would not increase Mainland tourists' consumption in Hong Kong. This is:

- A. Correct. The proposed ticket price is too high and this will dampen the willingness to spend.
- B. Correct. Mainland tourists with high consumption power will choose other means of transportation instead of railway when they travel to Hong Kong.
- C. Incorrect. The high speed railway itself is already attractive to Mainland tourists.
- D. Incorrect. The high speed railway could lower the total cost to travel to Hong Kong.

29. A divergence between private and social costs

- A. will never exist with private property rights.
- B. may not exist even in the absence of private property rights.
- C. may still exist even if transaction costs are zero.
- D. must be lessened by government intervention.

30. In the Final of the Football Event in Eastern Asian Games, the Authority has distributed a large number of tickets free-of-charge before the match. It turns out that the number of people who are willing to purchase the tickets is far more than expected. While there are empty spaces inside the stadium, there are a lot of people who are unable to buy a ticket outside.

- A. The authority has a loss.
- B. There is a divergence between private cost and social cost.
- C. The income of the authority is lower.
- D. The law of demand is violated.

~ END OF SECTION A ~

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INSTRUCTIONS FOR CADIDATES

1. Write your Candidate Number in the spaces provided on this cover and **EACH** answer sheet in this book.
2. Write your answers in the spaces provided in this Question-Answer Book. Do not write in the margins. Answers written in the margins will not be marked.
3. Answer each question on the pages provided for that particular question. **NO** marks will be given for answers written on the wrong pages.
4. There are **FIVE** questions in Sections B and **THREE** questions in Section C . Attempt **ALL** questions and keep your answer **SHORT**.

