

2010-CE  
ECON

PAPER 2

2010 HKCEE

# MOCK EXAM

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**ECONOMICS PAPER 2**

Duration : 1 hour

## INSTRUCTIONS

1. Write your candidate Number in the space provided on page 1.
2. **ATTEMPT ALL QUESTIONS.**
3. You should mark only **ONE** answer for each question. If you mark more than one answer, you will receive **NO MARKS** for that question.
4. No marks will be deducted for wrong answers.

1. A scarce resource has the following characteristic:

- A. It is difficult to find.
- B. Its supply is fixed.
- C. It is in great demand.
- D. It has a price on the market.

2. Air-conditioners used in restaurants can be classified as

- (1) capital goods
- (2) consumer goods
- (3) economic goods

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

3. Which of the following can increase the occupational mobility of labour?

- A. the development of industries requiring high technology
- B. the setting up of more professional associations
- C. the expansion of vocational training courses
- D. the extension of the Mass Transit Railway network

4. Berry is a worker in a garment factory in the daytime. In the evening, she works as a waitress in a restaurant. Mary is a \_\_\_\_\_ producer.

- A. secondary
- B. tertiary
- C. primary and secondary
- D. secondary and tertiary

5. If the market price of a good is equal to its equilibrium price,

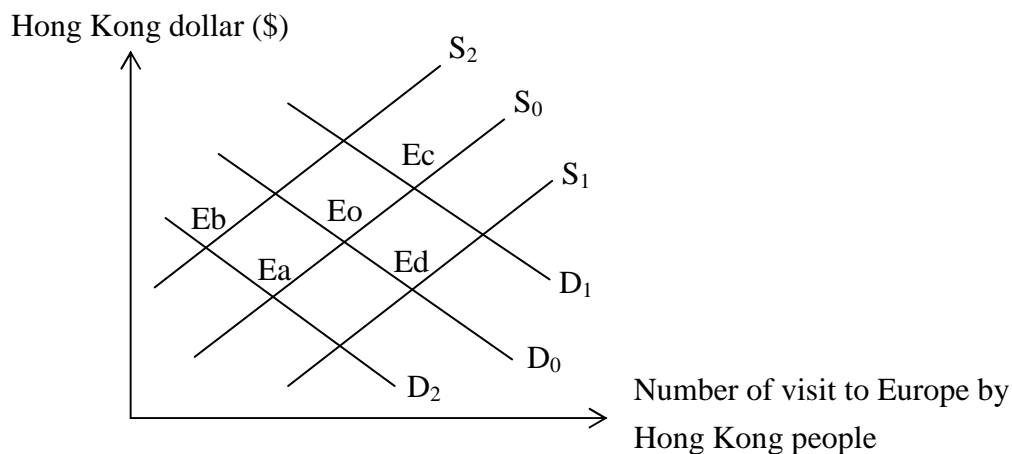
- (1) there is no pressure for the price to change.
- (2) the sales revenue is maximized
- (3) consumers' want of the good is fully satisfied

- A.(1) only
- B.(1) and (2) only
- C.(2) and (3) only
- D.All of the above

6. Good X is an economic good if

- A. the wants for it is unlimited.
- B. it is limited in supply.
- C. more of it is preferred.
- D. it can satisfy human wants.

7. The diagram below shows the market of tours of Hong Kong people to Europe. The initial equilibrium is at  $E_0$ . Because of economic recession, fewer Hong Kong people spend their holiday in Europe. Moreover, the Hong Kong dollar depreciates against Euro.



The new equilibrium point in the market will be at

- A. Ea
- B. Eb
- C. Ec
- D. Ed

8. An increase in the price of petroleum will lead to a decrease in
- A. the demand for petroleum
  - B. the quantity demanded for bus services
  - C. the price of taxi services
  - D. the demand for renewable energy.
9. Which of the following is an example of joint demand?
- A. The East railway service the West railway service
  - B. The courier service (送遞文件服務) and postal service.
  - C. Magazines and printing paper
  - D. Compact discs and compact discs drives
10. When the supply of a commodity increases, its price may rise if
- A. The price of its complement decreases
  - B. The price of its substitute decreases.
  - C. The demand for it is perfectly inelastic.
  - D. The demand for it is perfectly elastic.
- 11, Suppose a per unit sales tax is imposed on good X. The sellers would bear a relatively larger proportion of the tax burden if the demand for the good is \_\_\_\_\_ and the supply is \_\_\_\_\_.
- A.elastic ... elastic
  - B.elastic ... inelastic
  - C.inelastic ... elastic
  - D.inelastic ... inelastic
12. The demand for good X is perfectly inelastic. If the government offers a subsidy of \$10 for each unit of x produced, the equilibrium price of X will
- A. remain unchanged.
  - B. decrease by \$10.
  - C. decrease by less than \$10
  - D. decrease by more than \$10

13. Which of the following are examples of tertiary producers?

- (1) a cook
- (2) a banker
- (3) a truck driver

- A. (2) only
- B. (1) and (2) only
- C. (2) and (3) only
- D. All of the above

14.

No. of machines	No. of workers	Total output
5	7	100
5	8	120
5	9	150
5	10	190

Refer to the above table. Which of the following is a possible reason for the increase in total output?

- A. the law of supply
- B. the law of diminishing marginal productivity
- C. division of labour
- D. economies of scale

15. Land is different from capital in that

- A. Land has a greater supply elasticity than capital.
- B. Land is a free good but capital is an economic good.
- C. Land has no occupational mobility but capital does.
- D. There is no cost of producing land but there is cost of producing capital.

16. Which of the following is classified as capital in economics?

- (1) goldmines in South Africa
- (2) tigers in national park
- (3) sand in Sahara desert

- A. (1) only
- B. (2) and (3) only
- C. (1) and (2) only
- D. All of the above

17. Which of the following would decrease the labour supply of Hong Kong?

- A. The provision of less day-time child-care services
- B. An increase in the number of people migrating to other countries.
- C. An decrease in the number of public holidays in a year
- D. A change in the payment system from piece rate to time rate

18. A lower average labour productivity means a lower

- A. average product per worker.
- B. marginal product per worker.
- C. total product per worker.
- D. total product per unit of labour.

19. A factory owner has changed the method of payment to his workers and observes a higher quality of output, but a lower labour productivity of his workers. Most probably the old payment system is \_\_\_\_\_ and the new payment system is \_\_\_\_\_.

- A. time rate ... piece rate
- B. piece rate ... time rate
- C. profit sharing scheme ... time rate
- D. piece rate ... profit sharing scheme

20. Which of the following about preference shareholders is true?
- A. They usually have no voting rights in general meetings.
  - B. They receive fixed dividends whether the company gains or loses.
  - C. They are creditors of the company.
  - D. They receive more dividends than ordinary shareholders if the company earns a huge profit.
21. Which of the following sources of finance would most probably reduce the controlling power of the existing shareholders of a public limited company?
- A. a new issue of preference shares to the public
  - B. a new issue of ordinary shares to the public
  - C. a new issue of debentures to the public
  - D. a short term loan borrowed from a retail bank
22. Which of the following is the greatest benefit from conglomerate integration?
- A. larger market share
  - B. economies of scale
  - C. ensuring the markets for its output
  - D. diversification of product
23. A bookstore owner takes over a publishing company. To the bookstore owner, this is a \_\_\_\_\_ integration.
- A. conglomerate
  - B. forward
  - C. backward
  - D. lateral

24. Which of the following are the advantages of turning a sole-proprietorship into a private limited company?

- (1) wider sources of capital
- (2) higher incentive to work
- (3) limited liability

- A.(1) only
- B.(1) and (3) only
- C.(2) and (3) only
- D.All of the above

25. Competition in the market will tend to be imperfect when

- (1) there is free entry into the market.
- (2) customers favour brand names.
- (3) there are numerous sellers.
- (4) there are differentiated products.

- A.(4) only
- B.(1) and (3) only
- C.(2) and (4) only
- D.(3) and (4) only

26. I-Cable is considering applying for license of free television broadcasting. Which of the following descriptions about the of free television broadcasting market is correct?

- A.It contains non-price competition only.
- B.The services of the firms are homogeneous.
- C.The services of the firms are heterogeneous.
- D.The license is a free good.

27. Suppose the nominal GNP and the price level increase by 5% and 10% respectively, and the population increases by 10%. Then the per capita nominal GNP will \_\_\_\_\_ and the per capita real GNP will\_\_\_\_\_.

- A.increase...increase
- B.decrease...decrease
- C.increase...remain unchanged
- D.remain unchanged...increase

28. The spending of foreign visitors on electrical appliances in Hong Kong is a/an \_\_\_\_\_ of Hong Kong.

- A.consumption expenditure
- B.investment expenditure
- C.export
- D.import

29. The following table shows the statistical data of an economy.

Components	\$Million
Private consumption expenditure	300
Government consumption expenditure	100
Net domestic fixed capital formation	300
Decrease in stock	50
Subsidies	100
Depreciation	80
Net exports	100
Net income from abroad	50
Direct tax	200

The GDP at factor cost (in \$mn) is

- A. 930
- B. 980
- C.1 130
- D.1 180

30. The income of a Hong Kong citizen working in Japan is included in

- (1) Hong Kong's gross national product.
- (2) Hong Kong's gross domestic product.
- (3) Japan's gross national product.
- (4) Japan's gross domestic product.

- A.(1) and (3) only
- B.(1) and (4) only
- C. (2) and (3) only
- D. (2) and (4) only

31. When the profits tax rate increases,

- A. The government revenue will increase.
- B. The government expenditure will increase.
- C. The consumption will increase.
- D. The incentive of investment will decrease.

32. If a \$100 deposit of newly-printed money into a bank results in a \$500 increase in the total deposit of the banking system, we can conclude that

- A.the banking multiplier of the above deposit creation is 5.
- B.the legal reserve ratio is 0.2.
- C.the money supply increases by \$600.
- D.there is no cash leakage.

For Questions 33 and 34, refer to the following balance sheet of the banking system

Assets (\$)		Liabilities (\$)	
Cash reserve	500	Deposits	2000
Loans	1500		

Assume that legal minimum reserve ratio is 25 % and a person withdraws \$ 60 from a bank.

33. How much would the cash reserve in the banking system fall short of the legal requirement?

- A.\$ 40
- B.\$ 45
- C.\$ 50
- D.\$ 60

34. What would be the maximum amount of deposits that the banking system can hold after the withdrawal?

- A.\$ 1760
- B.\$ 1840
- C.\$ 1950
- D.\$ 2000

35. Paul has quit his job for two months because he has been ill. According to the Hong Kong government, he is

- A.unemployed.
- B.underemployed.
- C.employed.
- D.not in the labour force.

36. If the immigrants from mainland has filled up some posts which have been vacant for a long time, then Hong Kong's labour force would \_\_\_\_ and here unemployment rate would \_\_\_\_\_.

- A.Increase ... rise
- B.Increase ... fall
- C.Decrease... rise
- D.Decrease ... fall

37. Suppose the unemployed population of an economy is 500 000 while the unemployment rate is 5%. The employed population is

- A. 500 000
- B. 1 000 000
- C. 9 500 000
- D. 10 000 000

38. Unanticipated inflation will

- (1) encourage exports
- (2) increase government revenue
- (3) cause an outflow of short-term capital
- (4) redistribute income

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (4) only
- D. (3) and (4) only

39. According to the data below, what do we call the phase of the business cycle that the economy was in 2007?

Year	2005	2006	2007	2008	2009
Real DDP growth rate %	1.8	0.0	2.7	3.0	3.5

- A. recovery
- B. peak
- C. recession
- D. through

40. Macau SAR government issued consumption coupons to citizens last year. Which of the following function(s) are performed by consumption coupons?

- (1) unit of account
- (2) standard for deferred payment
- (3) standard of exchange

- A. (3) only
- B. (1) and (2) only
- C. (1) and (3) only
- D. None of the above

41. Consider the following data of an economy producing only oranges and apples:

	Price in 2009 (\$)	Price in 2010 (\$)	Output in 2010 (units)
Oranges	10	13	60
Apples	20	26	30

The rate of inflation from 2009 to 2010 calculated by using the GNP deflator is:

- A. 5%
- B. 20%
- C. 30 %
- D. 76.9%

42. Which of the following economic principles can best explain why a doctor, who knows how to repair vehicles, chooses to employ a technician to repair car for him?

- A. The law of demand
- B. The law of supply
- C. The law of comparative advantages
- D. Economies of scale

43. Hong Kong government is participating in the construction of HK-Zhuhai-Macau Bridge (港珠澳大橋). Which of the following statements must be correct?

- (1) Increase the tax burden on taxpayers.
- (2) Increase the size of the public sector.
- (3) Increase job opportunities.

- A. (3) only
- B. (1) and (3) only.
- C (1) and (2) only
- D. All of the above

44. Which of the following will lead to a more uneven income distribution?

- A.increasing the standard tax rate of the salaries tax
- B.imposing more indirect taxes on luxuries
- C. implementing the high-land price policy.
- D.decreasing the sales tax rate

45. A surplus budget will lead to

- A. a balance of payments deficit
- B. a contraction of the economy
- C.a decrease in government expenditure
- D.a fiscal surplus

46.The following table shows the amount of resources (in man-hours) required to produce 1 unit of good X or 1 unit of good Y in country A and country B, respectively.

	Good X	Good Y
Country A	1	3
Country B	2	5

Both countries will gain from trade if 1 unit of X can exchange for

- A.0.3 Y
- B.0.35 Y
- C.0.4Y
- D.0.7 Y

47. The imposition of a quota on an imported good
- A. will higher its quality.
  - B. will benefit the consumers of the importing country.
  - C. will worsen the balance of trade of the importing country.
  - D. will discourage local productions.
48. Which of the following items would NOT be entered in the Capital and Financial account of Hong Kong's balance of payments?
- A. A Hong Kong citizen buying a house in U.S.A.
  - B. A Hong Kong citizen buying a car made in the Germany.
  - C. A Hong Kong citizen buying securities in London's stock market.
  - D. A Hong Kong citizen buying a factory in the France.
49. The US dollar depreciates sharply against main currencies in the world last year. Under the linked exchange rate system, there was
- A. a fasting growth rate of imports from France to Hong Kong
  - B. a larger volume of Hong Kong garments exported to Germany.
  - C. less Japanese investments in Hong Kong's real estates
  - D. less tourists coming to Hong Kong.
50. In general, a deficit budget will
- A. reduce a country's foreign exchange and gold reserves.
  - B. increase the government's debt.
  - C. lead to a more uneven distribution of income.
  - D. have an expansionary effect on economic activity.