

2017 HKDSE Paper 1

1. The operator of a canteen in the government headquarters decides to sell sushi and not burgers anymore because the former can earn a higher profit. This is an example of using _____ to solve the problem of _____.
 - A. government command “what to produce”
 - B. government command “for whom to produce”
 - C. market mechanism..... “what to produce”
 - D. market mechanism..... “for whom to produce”

2. Which of the following statements about interest is correct?
 - A. Without money, interest does not exist.
 - B. Without inflation, interest does not exist.
 - C. Without scarcity, interest does not exist.
 - D. Interest is the compensation paid to the borrower for delayed consumption.

3. A public good
 - A. is a good with zero marginal cost of production.
 - B. can only be provided by the government.
 - C. cannot be protected by private property rights.
 - D. allows concurrent consumption by many individuals.

4. Which of the following would be the loss(es) of delaying the completion of a new railway to an economy?
 - (1) the travel time of passengers that would have been saved by the new railway during the period of delay
 - (2) the damage to the corporate image of the railway constructor for the delay
 - (3) the nuisance to the shops and residents nearby during the period of delay

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

5. Alan and partners turned their partnership into a private limited company. After the change, the firm will
 - A. have more capital for development.
 - B. have a lower average production cost.
 - C. enjoy a lower profits tax rate.
 - D. have a separate legal entity.

6. The government launched the Silver Bond for Hong Kong residents aged 65 or above. Bondholders will be paid interest at a rate linked to inflation in Hong Kong, subject to a minimum rate of 2% per year. Bondholders may sell their bonds at original price to the government before maturity.

Which of the following statements about the Silver Bond is/are correct?

- (1) The risk of holding the Silver Bond is lower than that of the shares of a listed company.
- (2) The return of the Silver Bond would increase during inflation while the return of the shares of a listed company would not.
- (3) The interest received by Silver Bond holders is higher than the dividend received by the shareholders of a listed company.

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

7. Certain restaurants in China found that they can introduce robots to replace some workers in serving customers without reducing their output. This will

- A. increase the quantity supplied of restaurant workers.
- B. increase the labour productivity of those restaurants.
- C. decrease the geographical mobility of restaurant workers.
- D. decrease the occupational mobility of restaurant workers.

8. The following table shows the cost-output relationship of a price-taker.

Output (units)	Average cost (\$)
5	10
6	11
7	12
8	13
9	14

The market price is \$20. Suppose the average cost has increased by \$2 for every unit of output. The profit of the firm will _____.

- A. Increase by \$16
- B. Increase by \$14
- C. decrease by \$16
- D. decrease by \$14

9. Giordano International Limited is a retailer of casual wear. It has launched the Giordano Ladies, which provides luxury clothes and suits for ladies. It is an example of _____ expansion.

- A. horizontal
- B. vertical
- C. lateral
- D. Conglomerate

10. An art centre extends its business hours for one hour in order to offer more painting classes. Which of the following are variable costs involved in the extra hour of operation?

- (1) salary of the accountant
- (2) electricity fee
- (3) expense on paints
- (4) rental payments
- A. (1) and (4) only
- B. (2) and (3) only
- C. (1), (2) and (4) only
- D. (1), (2), (3) and (4)

11. The input-output relationship of a firm is as follows:

	Year 1	Year 2
Number of workers	30	35
Number of working hours per worker per day	10	8
Quantity of output (units)	3 000	2 900

Based on the above information, labour supply _____ and average labour productivity _____.

- A. rises.... rises
- B. rises..... falls
- C. falls..... rises
- D. falls..... falls

12. A famous artist, Tsz-Wah, held a show. Many people complained that they could not buy a ticket. Ticket touts resold the tickets on the Internet and some buyers paid a price higher than HK\$10 000 for a ticket.

The case above illustrates the _____ function of price because _____.

- A. rationing the tickets are rationed to the highest-valued buyers.
 - B. rationing.... demand will be deducted by a higher price.
 - C. allocative.... more profits can be earned with a higher price.
 - D. allocative.... more resources should be allocated to the producer to raise the supply.
13. Which of the following is INCONSISTENT with the law of demand?
- A. The abolishment of per unit import tariff on garment results in a rise in the quality of imported garments.
 - B. Live fishes sold in a market near the fish farm have a higher price than frozen fishes sold in a faraway market.
 - C. The ratio of high-quality white wine sold to total white wine sold remains unchanged when the government imposes an ad valorem tax on white wine.
 - D. Developers tend to build high-quality housing units on a piece of land with a good view.
14. Which of the following situations would most likely lead to an increase in demand for iPhone produced by Apple Inc.?
- A. A technological breakthrough in the battery industry reduces its production cost.
 - B. People expect the next model of iPhone will have more innovative features.
 - C. A model of Samsung smartphone is banned by many airlines.
 - D. Apple Inc. reduces the selling price of iPhone.
15. Refer to the following conversation between Mandy and Shirley.

Mandy: I like coffee very much! No matter how its price changes, I always buy the same amount of coffee every week.

Shirley: I like coffee very much too! No matter how its price changes, I always spend the same amount of money on coffee every week!

Based on their conversation, Mandy's demand for coffee is _____ and Shirley's demand for coffee is _____.

- A. perfectly inelastic..... perfectly inelastic
- B. perfectly inelastic..... unitarily elastic

- C. unitarily elastic..... perfectly inelastic
- D. unitarily elastic..... unitarily elastic

16. Refer to the following supply and demand schedules for Good X.

Unit price (\$)	6	7	8	9	10	11	12	13
Quantity demanded	140	130	120	110	100	90	80	70
Quantity supplied	60	70	80	90	100	110	120	130

If the government imposed a \$2 per unit tax on Good X,

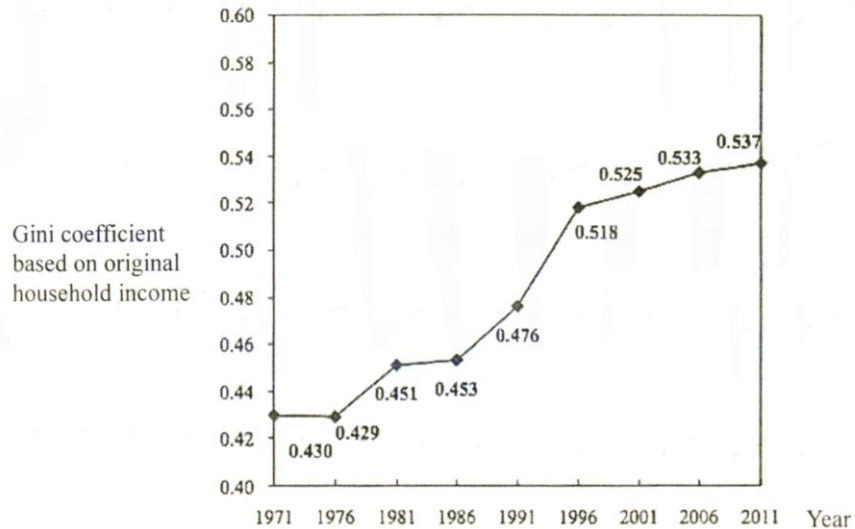
- A. sellers' revenue net of tax would become \$990.
 - B. Tax burden borne by the sellers would be \$90.
 - C. The total tax revenue would be \$200.
 - D. Buyers' total expenditure on Good X would decrease by \$40.
17. Suppose Good Y is an inferior good. When people's income rises and the production cost of Good Y increases, the equilibrium price of Good Y _____.
- A. will increase
 - B. will decrease
 - C. will remain unchanged
 - D. may increase or decrease
18. Suppose the government imposed an effective rent control on living units. Which of the following would LEAST likely occur?
- A. There would be a shortage of living units.
 - B. Black market would emerge.
 - C. Poor people would be able to rent a living unit more easily.
 - D. Landlords would have a lower incentive to renovate their living units for rents.
19. Which of the following statements about monopolistic competition are correct?
- (1) There can be a few or many buyers and sellers in the market.
 - (2) The sellers are price searchers.
 - (3) The goods and services provided by the sellers are homogeneous.
 - (4) There are free entry and exit in the market.
- A. (1) and (3) only

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

20. Li Ka Shing Foundation gave HK45000 to each 2017 HKDSE candidate living in those remote districts with lower average household income. Which of the following statements about this unconditional gift is correct?

- A. It reduces the income inequality as a larger portion of the receivers of the gift are from lower income group.
- B. It increases the income inequality as it is unfair to the candidates living in the non-remote districts.
- C. As the money is given to all candidates living in those remote districts, income distribution remains unchanged.
- D. It helps equalizing opportunities as those candidates will study harder to improve their exam results.

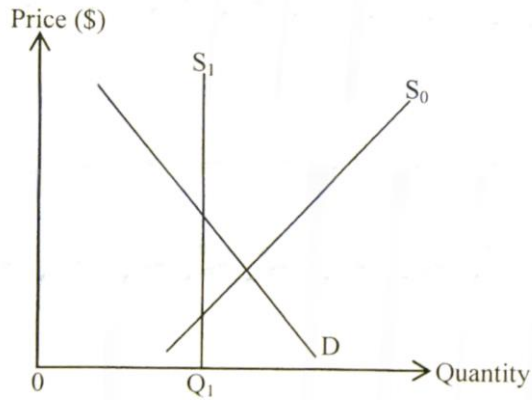
21. The following diagram shows the Gini coefficient of Hong Kong based on original household income



Based on the above diagram, we can conclude that

- A. the income level of Hong Kong increased.

- B. Income for high income household increased while income for low income household decreased.
 - C. The welfare policy failed to reduce the income inequality.
 - D. Income gap had been widening.
22. The Work Incentive Transport Subsidy Scheme helps low-income earners reduce their cost of travelling to and from work and encourages them to get a job. Workers meeting certain criteria, such as monthly income and asset limits, are eligible to get the subsidy.
- (1) Labour supply would increase.
 - (2) Labour productivity would increase.
 - (3) Geographical mobility of labour would increase.
 - (4) Income inequality would decrease.
- A. (1) and (2) only
 - B. (3) and (4) only
 - C. (1), (3) and (4) only
 - D. (2), (3) and (4) only
23. If the government raises the effective price floor on Good X and at the same time the price of its substitute increases, the consumer surplus in the market of Good X _____.
- A. will increase
 - B. will decrease
 - C. will remain unchanged.
 - D. may increase or decrease
24. Refer to the following supply-demand diagram of a good with a quota set at Q1 by the government.

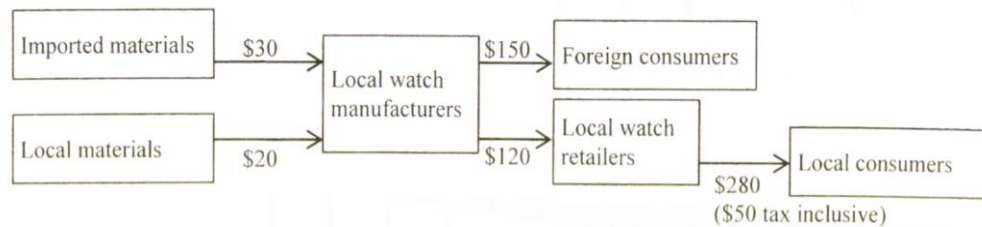


Which of the following will be the results of a reduction in quota on the good?

- (1) The total expenditure on the good may increase.
- (2) The consumer surplus will decrease.
- (3) The total social surplus may increase.

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

25. The following diagram shows a production chain of watches in an economy:



The contribution of the local watch manufacturers to the economy's GDP at market prices is _____.

- A. \$220
- B. \$240
- C. \$350
- D. \$400

26. The following table shows some data of an economy.

	Growth rate	
	2015	2016
GDP	-3%	-2%
Price level	1%	0%
Population	4%	2%

Which of the following statements about the economy is correct?

- A. Real GDP in 2016 decreases.
- B. Per capita GDP in 2016 increases.
- C. The price level in 2016 decreases.
- D. The growth rate of real GDP in 2016 is lower than that in 2015.

27.

The government launches “Admission Scheme for the Second Generation of Chinese Hong Kong Permanent Resident” (輸入中國籍香港永久性居民第二代計劃) in order to meet the challenge of ageing population and declining workforce.

If some second-generation of Hong Kong permanent residents returned to Hong Kong to fill up the posts which have been vacant for _____ a long time, Hong Kong’s labour force would _____ and the unemployment rate would _____.

- A. rise... remain unchanged
- B. rise... fall
- C. fall... remain unchanged
- D. fall... fall

END