



IEOC 2021 OPEN ROUND

JUNIOR LEVEL

April 11th 2021

Directions:

1. There are 30 multiple choice questions.
2. All of the questions will be graded (4 raw points for the correct answers, minus 1 raw point for the incorrect answers, and zero point for no answers).
3. Calculator is now allowed.

Multiple-choice questions

Answer Sheet

Question Number	Answer
1	A
2	C
3	A
4	D
5	B
6	A
7	D
8	D
9	D
10	C
11	A
12	C
13	B
14	D
15	D
16	B



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Question Number	Answer
17	D
18	B
19	A
20	B
21	C
22	D
23	B
24	D
25	B
26	C
27	C
28	A
29	B
30	A



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- 1. What must be the effect on the consumer surplus if the supply of a product becomes only half?**
- A. consumer surplus will fall
 - B. consumer surplus will rise
 - C. demand curve is of positive slope.
 - D. producer surplus will remain

Answer: A

B is wrong because consumer surplus will fall.

C is wrong because demand curve is of negative slope.

D is wrong because producer surplus will remain.



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2. Which of the following statement is correct?

- A. Snob effect shows that some people may value certain goods more highly simply because they really like the goods
- B. When there is an overall rise in income in an economy, the equilibrium price and equilibrium quantity of goods will rise.
- C. The increase in second-hand car demand might due to a new policy of restriction in an economy.
- D. The demand for all of a country's demand forms the market demand curve.

Answer: C

A is wrong because snob effect show that some people may value certain goods more highly simply because their price is high, especially if they know other people will observe them consume these goods.

B is wrong because when there is a rise in income in an economy, the equilibrium price and equilibrium quantity of goods will rise or not will depends on normal goods or inferior goods.

D is wrong because the total sum of individual demand curve for a product is its market demand curve.



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3. During a market campaign, a company sells toys to customers. The company initially increases 20% above its original price and based on this selling price, the company refund \$6 cash to the customers and actually the customers only pay \$54 to get this toy. What is the original price of the toy?

- A. 50
- B. 55
- C. 60
- D. 65

Answer: A

$$(54+6)/(1+20\%)=50$$

4. A park increases its price of ticket from \$10 to \$15. As a result, its total receipts decrease from 1000 to 400. Within what range does the price elasticity of demand for the ticket lie?

- A. 0.2 to 0.5
- B. 0.6 to 1.0
- C. 1.1 to 1.4
- D. 1.5 to 2.0

Answer: D

$$P1=\$10 \quad P2=\$15$$

$$TR1=\$1000 \quad TR2=\$400$$

$$Q1=100 \quad Q2=26.67$$



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$$\text{Price elasticity of demand} = \frac{(26.67 - 100)/100}{(15 - 10)/10} = 1.46$$

5. Which of the following statement is correct?

- A. a tax is progressive when some goods have a higher tax than others
- B. the government of many countries raise revenue from a tax on a wide range of essential goods and services, and the nature of these taxes are indirect and regressive.
- C. the incidence of tax is how the tax is collected and imposed
- D. one of the disadvantages of direct taxes is that the direct taxes are based on people's ability to pay.

Answer: B

A is wrong because a tax is progressive when the rate of tax increase as income increases.

C is wrong because the incidence of tax is where the burden of the tax is finally felt.

D is wrong because the condition that directs taxes are based on people's ability to pay is one of its advantages.



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6. What is a characteristic of a perfectly competitive market?

- A. price taker
- B. lack of competitors
- C. very high prices
- D. many non-price competition

Answer: A

B is wrong because they are infinite number of competitors.

C is wrong because price is very low.

D is wrong because there is no price competition.

7. How does a firm realize the maximization of profit? To do this, it will have to

- A. Minimize the production cost
- B. Maximize the sales.
- C. Maximize the production quantity
- D. Maximize the difference between sales revenue and production cost.

Answer: D

A is wrong because minimizing production cost doesn't mean profit maximization

B is wrong because sales maximization is different from profit maximization

C is wrong because production quantity doesn't mean profit maximization.



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8. One difference between a firm in a perfectly competitive market and an unregulated monopoly is that the

- A. Perfectly competitive firm sells differentiated products, whereas the monopoly sells a homogeneous product
- B. Price elasticity of demand for a monopolist is much higher than that for a perfectly competitive firm
- C. Monopolist seeks to maximize profits, whereas the perfectly competitive firm maximizes revenues
- D. Perfectly competitive firm can increase the quantity it sells at the market price, whereas the monopoly must lower its price to sell more

Answer: D

A is wrong because perfectly competitive firm sells same products.

B is wrong because the elasticity of perfectly competitive firm is infinite.

C is wrong because monopolist and perfectly competitive firm might seek to maximize profits and maximizes revenues

9. When is it more likely to achieve higher wages for trade union members?

- A. when cyclical unemployment happens
- B. when the cost of production increases
- C. when the company has a decrease in profits
- D. when consumers demand more of the product made

Answer: D



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A is wrong because when cyclical unemployment happens, the boss might not be able to pay more for the workers.

B is wrong because when the cost of production increases, the boss might not be able to pay more for the workers

C is wrong because when the company has a decrease in profits, the boss might not want to pay higher wage.

10. Which of the following transactions would represent an additional to a nation's current gross domestic product?

- A. A mother sells her house to her daughter.
- B. A corporation sells cups from last year's inventory.
- C. A government increases its domestic purchase of food for use by the military.
- D. A retailer purchases a share of stock in a shoes company

Answer: C

A is wrong because it is not a market transaction.

B is wrong because it is last year's GDP

D is wrong because stock transaction is not a market transaction.



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11. _____ unemployment refers to persons who purposefully quit their jobs and have not yet found a new job.

- A. Frictional
- B. Structural
- C. Cyclical
- D. Seasonal

Answer: A

The definition of frictional unemployment

12. Assume that the reserve requirement is 10%. If a bank initially has no excess reserves, and \$1000 cash is deposited in the bank, the maximum amount by which this bank may increase its loans is

- A. 1000
- B. 10000
- C. 900
- D. 9000

Answer: C

$$1000 * (1 - 10\%) = 900$$



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13. During the Covid-19, ____ has proposed \$1.9 trillion in spending across a variety of categories. While pockets of the economy still need substantial help from this stimulus; other parts might be running hot.

- A. Dona Trump
- B. Joe Biden
- C. Mike Pence
- D. Nancy Patricia D'Alesandro Pelosi

Answer: B

14. If the real interest rate in Country A increases relative to the real interest rate in country B, and there are no trade barriers between the two countries, then for country A, which of the following will be true of its capital flow, the value of its currency and its exports?

- A. There will be capital outflow from country A, depreciation of country A's currency and increase of country A's exports.
- B. There will be capital inflow to country A, appreciation of country A's currency and increase of country A's exports.
- C. There will be capital inflow to country A, depreciation of country A's currency and increase of country A's exports.
- D. There will be capital inflow to country A, appreciation of country A's currency and decrease of country A's exports.

Answer: D



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When country A's interest rate increases, more hot money will enter into country A, and the currency will appreciate, and its export will decrease.

15. The changes in the foreign exchange rate of a country lead to the decrease of the value of the country's currency. Which of the following is not inclined to happen?

- A. The country's current account deficit will remain.
- B. The country's residents need to spend more local money to travel abroad.
- C. The country's export company will be able to export more goods abroad.
- D. The country's imported machinery will be cheaper.

Answer: D

Devaluation of the currency will make imported machinery more expensive.

16. Which of the following institutions primarily finances economic development projects in less-developed countries?

- A. The International Monetary Fund
- B. The World Bank
- C. The International Development Administration
- D. The International Reserve Bank

Answer: B



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B is correct because the World Bank is primarily responsible for financing economic development.

17. A tariff differs from a quota in that a tariff is:

- A. a tax levied on only imports, whereas a quota is imposed only on exports.
- B. a tax levied on exports, whereas a quota is imposed on only imports.
- C. a tax levied on exports, whereas a quota is a limit on the number of units of a good that can be exported.
- D. a tax imposed on imports, whereas a quota is an absolute limit to the number of units of a good that can be imported.

Answer: D

A is wrong because tax and quota could be all on imports.

B is wrong because tax and quota could be all on imports.

C is wrong because tax can also be levied on imports.

18. Which of the following best describes the economic cycle in an economy?

- A. Successive booms and busts in consumer spending
- B. Recurrent cyclical changes in the rate of growth of real GDP around its trend growth rate
- C. Cyclical changes in price inflation
- D. Seasonal fluctuations in total national expenditure



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Answer: B

A is wrong because economic cycle is not only consumer spending.

C is wrong because price inflation might not be able to describe the economic cycle.

D is wrong because economic cycle is not just seasonal fluctuations in total national expenditure.

19. The table below compares income tax rates levied on different levels of income in four different countries. Which country has the most progressive income tax?

Weekly income	Tax rate %			
	A	B	C	D
\$100	0%	35%	20%	25%
\$500	15%	30%	22%	25%
\$1000	25%	25%	25%	25%

Answer : A

From the chart, B is not progressive. C is not the highest progressive and D is proportional.



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20. The government pays a subsidy for each worker employed by a firm in an area of high unemployment. When would this policy be most successful in reducing unemployment?

- A. When the firm is capital-intensive
- B. When the firm is labour-intensive, requiring mainly unskilled labour
- C. When the firm provided professional services
- D. When the firm requires mainly skilled labour

Answer: B

A is wrong because capital intensive might not need to consider the subsidy for worker.

C is wrong because professional service might not depend on subsidy.

D is wrong because skilled labour might not depend on subsidy.

21. What is the fee that a policyholder pays when an insurance company agrees to take on the risk?

- A. Coverage
- B. Insured
- C. Premium
- D. Peril

Answer: C

Insurance policyholder will pay the premium.



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22. Why do investors purchase corporate bonds?

- A. Interest income
- B. Repayment at maturity
- C. Possible increase in value
- D. All of these choices are correct.

Answer: D

Investors purchase corporation bond for interest income, repayment at maturity and possible increase in value.

**23. Tom wants to be part of the most basic form of ownership for a corporation.
She should invest in**

- A. Bonds.
- B. Common stock.
- C. Dividends.
- D. A savings account.

Answer: B

Common stock is the basic form of ownership



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24. Which of the following are major reasons that investors purchase mutual funds?

- A. Diversification.
- B. Professional management.
- C. Loads of up to 10%.
- D. Diversification and professional management.

Answer: D

Mutual fund is for diversification and professional management.

25. Which of the following is a fund that invests in the stocks or securities contained in a specific stock or securities index?

- A. Closed-end fund
- B. Exchange-traded fund
- C. Net asset value fund
- D. No-load fund

Answer: B

A fund that invests in the stocks or securities contained in a specific stock or securities index is called ETF.



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26. As Tom explores his options of business, he notices that some opportunities appear to be riskier than others. When considering various opportunities, Tom should keep in mind that:

- A. he will be better off picking a low risk business opportunity, since the safest ones are usually the most profitable as well.
- B. even though some opportunities appear riskier than others, the level of risk actually varies little from one opportunity to another.
- C. high risk business opportunities often have the potential for high returns as well.
- D. government regulations are in place to protect investors and entrepreneurs from failure, so there is no need to worry about risk.

Answer: C

A is wrong because the safest ones might not be profitable.

B is wrong because the level of risk actually varies a lot from one opportunity to another.

D is wrong because there is need to worry about risk.

27. Which of the following statements is the most accurate?

- A. Accounting and finance are not related.
- B. Financial managers keep the books for a firm.
- C. Financial managers need to understand accounting.
- D. Nonprofit organizations must choose between accounting and finance.



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Answer: C

A is wrong because accounting and finance are related.

B is wrong because financial managers might keep the financial books for a firm.

D is wrong because nonprofit organizations need both accounting and finance.

28. A major advantage of a piecework pay system is that it:

A. creates a powerful incentive to work efficiently.

B. requires a minimum of paperwork and record keeping.

C. encourages cooperation and teamwork among employees.

D. is a system that is strongly supported by both unions and management.

Answer: A

B is wrong because it does not require a minimum of paperwork and record keeping.

C is wrong because it does not encourage cooperation and teamwork among employees.

D is wrong because it is not strongly supported by both unions and management.

29. Which of the following companies is undercapitalized?

A. A large corporation that has been hit with a major lawsuit because one of its products has a design flaw that has led to serious injuries

B. A new company struggling because it has insufficient start-up funds

C. A medium-sized company decided to buy a competitive firm



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- D. An electricity company has recently experienced a significant increase in the cost of coal and labor

Answer: B

A is wrong because product design flaw does not have relationship with capital.

C is wrong because buying a competitive firm doesn't necessary mean undercapitalized.

D is wrong because increasing cost of coal and labor doesn't have relationship with capital.

- 30. The chairman of IEOC committee shared with the potential IEOCer the inspiring experience he had at the IEOC competition. He described the potential benefit that IEOer might gain from this competition and encouraged the IEOer to participate. The chairman's comments represent:**

- A. word-of-mouth promotion.
- B. public relations.
- C. academic sampling.
- D. viral promotion.

Answer: A

This is a world-of-mouth promotion.

(The end)



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