



INTERNATIONAL  
ECONOMICS  
OLYMPIAD



# MALAYSIAN ECONOMICS OLYMPIAD (MyEO) 2023

Saturday, 28 January 2023

**PAPER 1 : 10.30 AM - 12.00 PM**  
(1 hour 30 minutes)

*All The Best!*

**Please answer all 30 MCQ questions:**

1. Which of the following is not the weakness of GDP?
  - A. It does not measure the total output of the economy
  - B. It does not take into consideration income inequality
  - C. It does not consider human well being and welfare
  - D. It is only a measure of consumption
  
2. Which of the following instrument is generally negatively correlated with stocks?
  - A. Futures/derivatives
  - B. Government bond
  - C. Corporate paper/debt instruments
  - D. Fixed deposit
  
3. All prices in the economy has increased by 8% and your income has grown by 4%. What is the impact to your real income?
  - A. Remains the same
  - B. Insufficient information to determine
  - C. 12%
  - D. 4%
  
4. The price and quantity of a commodity is explained by the following:
  - A. Price discrimination
  - B. Law of Demand
  - C. Inflation
  - D. Monetary transmission
  
5. Which of the following methodology is commonly used to measure income inequality
  - A. Kolmogorov-Smirnov
  - B. Big Mac Index
  - C. Gini coefficient
  - D. Chi-squared
  
6. Which of the following methodology is used to measure purchase power parity
  - A. Big Mac Index
  - B. Gini coefficient
  - C. Chi-squared
  - D. Durbin-Watson

7. A person is called “economically inactive” when the person:
- A. Unemployed but actively looking for job opportunities
  - B. Student who also has the capability to work
  - C. A fulltime housewife
  - D. A retiree
8. If the demand of a good is inelastic, an increase in its price will cause the total expenditure by the customers on the good to be:
- A. Increase
  - B. Decrease
  - C. Remains the same
  - D. Insufficient information to determine
9. It is common for a motor insurance/takaful contract to stipulate a minimum amount of loss before a customer is eligible to claim – which is commonly known as “deductible”, this is to ensure that the customer has a ‘skin in the game’. What is the underlying concept that explain such practice?
- A. Game Theory
  - B. Reverse Game Theory
  - C. Utility Theory
  - D. Contract Theory
10. In optimizing its profitability, some companies tend to price their products high until a competitor enters into the market. This pricing mechanism is also sometime called as “riding down the demand curve”. What pricing strategy is this?
- A. Penetration pricing
  - B. Skimming pricing
  - C. Economy pricing
  - D. Psychological pricing
11. An ecosystem is deemed as achieving the “Nash Equilibrium” when the following situation happens:
- A. One of the players has a more superior strategy that can be opted to increase its pay off
  - B. None of the players has possible strategy to increase the pay off
  - C. When all players follow a certain mechanism to obtain each player’s objective
  - D. When one or more players exited the game

- 12.** When a price floor is set above the equilibrium price, the following situation will occur:
- A. New equilibrium level is achieved
  - B. Surplus
  - C. Shortage
  - D. Insufficient information to determine
- 13.** Which of the following Nobel Prize Laureate contributed to the development of knowledge in the space of Mechanism Design?
- A. Eric Maskin
  - B. Ben Bernanke
  - C. John Nash
  - D. Richard Thaler
- 14.** Assuming that public transport is an inferior goods, what will happen to the demand on the public transport when the income on the consumer decreases.
- A. Decrease
  - B. Increase
  - C. Remains the same
  - D. Insufficient information to determine
- 15.** Which of the following best describe the concept of *Liquidity Trap*?
- A. A customer can not withdraw money from the Bank because of liquidity crisis
  - B. A person having physical asset but very limited cash in hand to meet liquidity needs
  - C. Situation where the interest rate is too low that people prefer to hold cash
  - D. A person having too much debt and unable to service the monthly payment to the bank
- 16.** Which of the following is not the typical role of a central bank?
- A. Managing the monetary policy
  - B. Lender of last resort
  - C. Ensuring the financial stability of the banking system
  - D. Determine the tax rate
- 17.** Which of the following instruments has the highest volatility?
- A. Treasury bill
  - B. Fixed deposit
  - C. Listed shares
  - D. Unlisted shares

18. How many Nash Equilibrium is available in the following Game?

		Player 1	
		Left	Right
Player 2	Up	(40, 10)	(20,5)
	Down	(10, 5)	(5, 20)

- A. 4
  - B. 2
  - C. 1
  - D. No Nash Equilibrium
19. A bond that matures 5 year from now has a face value of RM1000. Assuming that today is the start of the tenure, what is the current price if the interest is 5%?
- A.  $RM1000 * (1+5\%)^5$
  - B.  $RM1000 / [(1.05)^5]$
  - C.  $RM1000 * 5\% * 5$
  - D. Insufficient information to determine as the risk free rate is not available.
20. Situation where the share price increase sharply arising from investors covering their short positions is called:
- A. Long squeeze
  - B. Short squeeze
  - C. Liquidity gap
  - D. Financial distress
21. Which of the following taxation would naturally reduce the income inequality?
- A. Progressive tax
  - B. Regressive tax
  - C. Proportional tax
  - D. Flat rate income tax
22. The following components are generally included in the pricing of a loan/financing, except for:
- A. Credit loss cost
  - B. Liquidity cost
  - C. Cost of capital
  - D. Risk free rate
23. The following are the components of the Porter's 5 Forces, except for:
- A. Power of suppliers
  - B. Power of buyers
  - C. Power of government
  - D. Competition in the industry

**24.** Physiological needs, safety needs, love & belonging, esteem and self actualization are components of:

- A. Maslow Hierarchy of Needs
- B. Herzberg's Dual Factor Theory
- C. McClelland's Acquired Needs Theory
- D. None of the above

**25.** Which of the following statement reflects the concept of "Dutch Auction"?

- A. Auctioneer starts with the lowest price, winner will be determined by the highest bid provided
- B. Auctioneer starts with a very high price, and lowering down the price until somebody places a bid
- C. Bid is placed secretly by each bidder. The highest bidder shall win the bid
- D. There is no such thing as "Dutch Auction", the only bidding approach is called the "English Auction"

**26.** When an airline company changes the pricing of a flight ticket based on the seat type, time of the flight and number of remaining seats, the airline is likely to apply the following pricing strategy:

- A. Premium pricing
- B. Dynamic pricing
- C. High low pricing
- D. Cost plus pricing

**27.** Which of the following is/are not known as "Broad Money"?

- i. M1
- ii. M2
- iii. M3
- iv. M4

- A. M1 & M2
- B. M3 & M4
- C. M1 only
- D. M1, M2 and M3

**28.** "ESG Investing" is a concept that applied by some companies to determine which investments to participate. This approach also encourages the investors to act responsibly to non-financial aspects such as human rights and operating environment. ESG stands for:

- A. Environmental, Social and Government
- B. Environmental, Society and Governance
- C. Environmental, Social and Governance
- D. Entity, Social and Government

**29.** The general standard of living of nation can be increased by increasing the following:

- A. Production
- B. Supply of credit
- C. Subsidy from the government
- D. Exports

**30.** Which of the following statement is not reflective of “Perfect Competition”?

- A. There is no barrier to enter and exit the market
- B. The price of goods in a perfect competition market is stable as the price is controlled by the government
- C. There are many buyers and sellers in the market
- D. The items sold are generally similar in nature, a customer can freely choose the service provider

**- End of Questions -**