

NSS Exploring Economics (3rd Edition)
Question Bank (Sample questions 2025)

Multiple Choice Questions

Question code: B1C01_01

Mr Lee bought a bakery three years ago for \$2,000,000 and sells pastries at the premises. Recently, the monthly profit of the bakery has decreased from \$25,000 to \$5,000 due to new competitors. A businessman offers to rent Mr Lee's bakery at a monthly rental price of \$12,000.

Which of the following would be included in Mr Lee's opportunity cost of continuing to operate his bakery?

- A. The \$2,000,000 purchase price for the bakery
- B. The \$12,000 monthly rental
- C. The \$20,000 drop in monthly profit
- D. The \$5,000 monthly profit

Answer:

(Reference: HKDSE 2023 Q1)

B

Explanation:

When Mr Lee chooses to continue to operate his bakery, the highest-valued option forgone is to rent out the bakery.

Question code: B1C02_01

The Hong Kong government launched 'SmartPLAY', a real-name registration online booking system for public sports and recreation facilities. While registered users can make bookings on a 'first-come, first-served' basis, certain popular facilities are allocated by ballot. Since hirers (租用人) cannot transfer their user permits, the chance of touting (炒賣) activities was reduced. Which of the following statements about SmartPLAY is / are correct?

- (1) It is a mechanism to tackle the problem of 'for whom to produce'.
 - (2) The government's private property rights over these facilities have been weakened under the system.
 - (3) Price competition is not involved in the allocation of these facilities under the system.
- A. (1) only
 - B. (2) only
 - C. (3) only
 - D. (1), (2) and (3)

Answer:

(Reference: HKDSE 2023 Q3)

A

Explanation:

Option (3): Only those who can pay the fees to utilise these facilities can use them.

Question code: B1C02_02

When private property rights are not clearly defined, _____.

- (1) exchange will not take place
 - (2) price competition will become more prevalent
 - (3) discrimination will not exist
- A. (1) only
B. (2) only
C. (3) only
D. (1) and (2) only

Answer:

(Reference: HKDSE 2024 Q4)

A

Explanation:

Option (1): Since people are not willing to pay for the resources, exchange will not take place.

Options (2) and (3): Since people are not willing to pay for the resources, they must resort to methods other than price mechanism to distribute the resources, i.e., non-price competition. All forms of competition will lead to discrimination.

Question code: B1C03_01

Which of the following is INCONSISTENT with the law of demand?

- A. Amy chooses a job with a working location closer to her home even if the pay is lower.
- B. Bob purchases more books in a second-hand store than at a bookstore.
- C. When air tickets are cheaper, Cathy stays in Japan for a longer time.
- D. Suppose the shipping fee per order is fixed. Duncan buys more goods in the same transaction when shopping online.

Answer:

(Reference: HKDSE 2023 Q10)

C

Explanation:

Option A: Even though Amy receives less pay, the full cost of working may be lower because she saves on transportation costs and time costs.

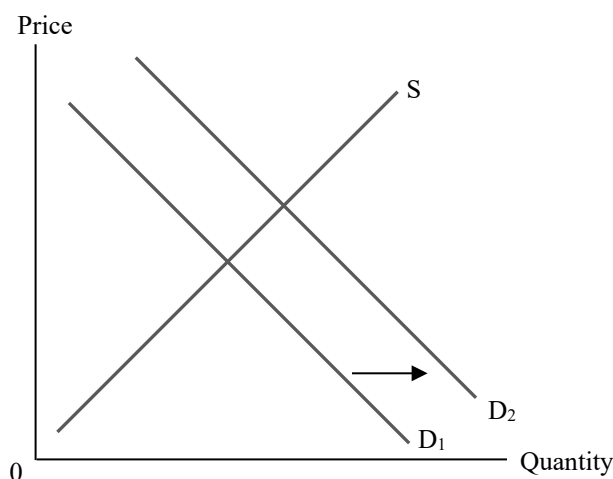
Option B: The price of books in second-hand stores is usually lower than at bookstores. According to the law of demand, the quantity demanded for books in second-hand stores is higher.

Option C: When the price of air tickets decreases, according to the law of demand, the quantity demanded for trips to Japan will increase. As Cathy's frequency of visiting Japan increases, her average duration of staying in Japan should decrease.

Option D: The average shipping cost for each good will decrease when Duncan buys more goods. According to the law of demand, Duncan will buy more goods in the same transaction.

Question code: B1C04_01

Refer to the following diagram about the market for pet food in an economy.



The shift of the demand curve from D_1 to D_2 _____.

- A. will increase the consumer surplus
- B. must increase the profits earned by pet food producers
- C. may be caused by the higher cost of owning pets
- D. can be explained by an economic boom

Answer:

(Reference: HKDSE 2023 Q19)

D

Explanation:

Option A: A higher price and lower quantity may increase or decrease the consumer surplus.

Option B: Although total revenue increases, profits may decrease if total costs increase.

Option C: The demand for pet food is derived from the demand for owning pets. The higher cost of owning pets will decrease the demand for pet food.

Option D: An increase in income caused by an economic boom will increase the demand for pet food (a normal good).

Question code: B2C08_01

ABC Telecom Limited is a telecommunications company in Hong Kong. Its shares cannot be transferred freely. Which of the following statements about the company is correct?

- A. The company can raise funds by issuing shares to existing shareholders.
- B. The shareholders must take part in managing the company.
- C. Its shares can be bought and sold on the stock market.
- D. There is no upper limit on the number of shareholders.

Answer:

(Reference: HKDSE 2024 Q5)

A

Explanation:

ABC Telecom Limited is a private limited company.

Question code: B2C09_01

Which of the following statements about the classification of goods is correct?

- A. A video on YouTube is a private good if the video is produced by a private enterprise.
- B. A video on YouTube is a public good because there is no cost in serving an additional viewer.
- C. A video on YouTube is a free good because the video can be viewed free-of-charge.
- D. A video on YouTube is a consumer good if the video shows how an individual consumes a good.

Answer:

(Reference: HKDSE 2024 Q3)

B

Explanation:

Option D: A video is a consumer good if it is used to satisfy wants. This is unrelated to its content.

Question code: B2C014_01

The table below shows the production costs of a price-taking firm.

Total output (units)	Total cost (\$)
0	1
1	3
2	6
3	10
4	15
5	21

Suppose the product price is \$4. The firm's maximum producer surplus is _____.

- A. \$1
- B. \$2
- C. \$3
- D. \$4

Answer:

(Reference: HKDSE 2024 Q10)

C

Explanation:

Total output (units)	Total cost (\$)	Marginal cost (\$)
0	1	-
1	3	2
2	6	3
3	10	4
4	15	5
5	21	6

When total output = 0 units, total cost is \$1, i.e., fixed cost is \$1.

To maximise the producer surplus, producers should produce at a level where $P = MC$.

Hence, when the product price is \$4, producers should produce 3 units of output.

Producer surplus

= Total revenue – Total variable cost

= $\$4 \times 3 - \$ (10 - 1) = \3

Short Questions

Question code: B1C01_01

Universal Studios Japan offers two kinds of tickets: Normal Pass and Express Pass.

Visitors with an Express Pass do not need to queue up for the facilities. Below is an extract of an online celebrity's post.

The online celebrity: Fortunately, I have bought the Express Pass. Although its price is much more expensive than a Normal Pass, it saves me a lot of time.

Refer to the extract of the post. Explain, in terms of opportunity cost, why the online celebrity chose to buy the Express Pass rather than the Normal Pass. (3 marks)

Answer:

(Reference: HKDSE 2023 Q11c)

Full cost = Time cost + Money cost.

The online celebrity chose to buy an Express Pass because the time cost of queuing (i.e., the value of the best alternative use of queuing time) is higher than the additional money cost of buying an Express Pass (i.e., the difference between the prices of an Express Pass and a Normal Pass). (3 marks)

Question code: B1C06_01

Refer to the following news extract.

Norway, Iceland, the Faroe Islands, Greenland, the UK and the EU have agreed to set the quota of mackerel (鮭魚) that can be fished in the Northeast Atlantic in 2024 at 739,386 tons.

- (a) Assume the quota is effective. State under what condition the total expenditure on mackerel after the quota will increase. Explain your answer with the aid of a diagram. (7 marks)
- (b) A significant proportion of the population in the above areas are becoming vegans. Under what condition would the quota imposed become ineffective? Explain your answer with the aid of another diagram. (5 marks)

Answers:

(Reference: HKDSE 2023 Q12a)

(a) Verbal elaboration:

An effective quota increases the equilibrium price and decreases the quantity transacted. (1 mark)

If the demand for mackerel is inelastic, the percentage increase in the equilibrium price will be higher than the percentage decrease in the quantity transacted, so the total expenditure on mackerel will increase. (2 marks)

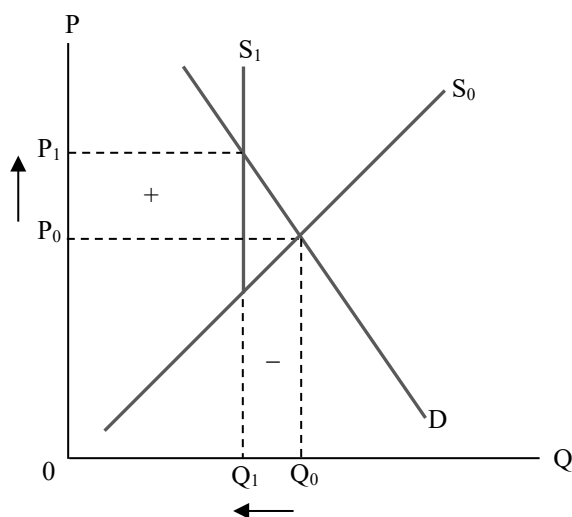
Indicate on the diagram:

Quota (Q_1) smaller than the original quantity transacted (Q_0) (1 mark)

Higher price and lower quantity (1 mark)

Correct position of gain and loss (1 mark)

Gain > loss (1 mark)



(b) Verbal elaboration:

If more people become vegans, the demand for mackerel decreases. (1 mark)

Equilibrium price and quantity transacted of mackerel decreases. (1 mark)

If the new quantity transacted is lower than the quota, the quota will become ineffective. (1 mark)

Indicated on the diagram:

Leftward shift in demand curve (1 mark)

New quantity transacted (Q_2) below quota (Q_1) (1 mark)

