- A) The cost of living in 2020 is less than the cost of living in 2008 as the inflation rate of 2020 is less than the inflation rate of 2008.
- B) The value of money has increased.
- C) The price level has increased
- D) Cost of production is lowest 2017.

38. The nation has been suffering from hyper-inflation in recent years. Which of the following poli-

cies might worsen the situation: A) Adopting a stable foreign currency

C) Printing more money

B) Increasing Interest rates. D) Increasing taxes

39. The diagrams show the change in a country's production possibility curve between Year 1 and Year 2.



A) Future growth prospects have been harmed.

- B) The level of unemployment has fallen.
- C) The opportunity cost of consumer goods has risen.

D) The proportionate growth in production is greater in consumer goods.

40.In 2001 China's ability to exploit its comparative advantage in cotton production increased. What could explain this change?

A) a fall in the value of the currency of India, a major cotton producer

B) a reduction of the import quota on Chinese cotton into the European Union

C) a rise in the wages of Brazilian cotton workers matched by an increase in their productivity D) the removal of the United States of America's subsidy to its cotton growers

41.An economy with a long history of extensive barriers to trade decides to switch to totally free

trade.

What is most likely to increase in the short term? A) consumer surplus

B) government revenue D) profits of all domestic companies

42. The table below shows the maximum production capacity for producing Soyabeans and Rice.

Countries	Soyabeans	Rice
USA	42 kg	30 kg
Japan	14 kg	31 kg

Which of the following is correct.

C) inflationary pressure

I The United States has an absolute advantage in producing Rice.

II. Japan has an absolute advantage in producing Soyabeans.

III. Japan has a comparative advantage in producing Soyabeans.

IV. The United States should specialize in the production of Soyabeans and Japan should specialize in

43.A government decreased the tax on all goods produced in a country.

What is the most likely result of this?

A) a decrease in imports

C) a decrease in real incomes

B) a decrease in industrial production D) a deterioration in the balance of trade in goods

44.Without any change in government policy, what will be the effect of an economic recession on tax revenue and on government expenditure?

	Tax Revenue	Government Expenditure
A)	decrease	decrease
B)	decrease	increase
C)	increase	increase
D)	increase	decrease
		Set-A-5



YOUNG ECONOMISTS SOCIETY NEPAL

45. What would be increased by an expansionary fiscal policy? A) budget deficit B) exchange rate C) money supply D) rate of direct taxation

46.Nepal is going through a period of the credit crunch (a sudden sharp reduction in the availability of money or credit from banks and other lenders), which of the following policies the government should not use:

- A) increase interest rates.
- B) increase taxation
- C) increase government spendings
- D) Reduce reserve ratio.

47.In the diagram D is the demand curve for Nepal's tea exports and S1 is the initial supply curve.



What may result in the shift of S1 to S2 A) Reduction in consumption of coffee B) Increase Farmable Land C) Increase in subsidy provided to coffee industry D) Hailstorm in Ilam

48. Which combination of factors is most likely to result in more rapid economic growth? A) increases in employment and in the balance of payments deficit B) increases in the level of investment and in the size of the working population C) more equal distribution of wealth and a higher level of unemployment benefits D) more rapid inflation and an increase in the national debt

49. The monetary authorities increase interest rates in order to control inflation. What is likely to increase as a result of this? A) firms' sales revenue B) investment expenditure C) net capital outflows D) the exchange rate

50.Due to the pandemic, economic activities in Nepal have slowed down. What policies should the government take to stimulate the economy? A) reduce interest rate and transfer payments B) increase interest and transfer payments C) reduce interest rate and taxation D) increase interest and taxation

Best of Luck! See you in National Competition

Time Allowed : 1:30 hrs.

INSTRUCTIONS:

- Attempt this section on MCQs Answer sheet only.

points for no answer) in each question.

1.Jack has one free hour to practise piano or work at the library for \$7 per hour or babysit his neighbor's 12-year-old son for \$10 per hour in the next town with a bus fare of \$4. He chooses to practice the piano. What is the opportunity cost of practicing the piano? (Assume benefits from practising piano in terms of financial gain is \$0)

opportunity cost.

babysitting to make it profitable.

2.Aryan decides to withdraw his savings of \$70,000 and invest in starting his own clothing business. He normally earns \$3,000 in interest from his savings. If Aryan earned an operating profit of \$60,000 with the depreciation of 10% of withdrawal, what is his economic profit?

A) \$57,000 B) \$50,000

3. The production possibilities curve shows a straight line, which of the following is true?

A) Resources are not specialized. B) Vital resources for the good are limitless. C) The economy is operating below maximum efficiency and output. D) The law of decreasing marginal utility does not apply.

and dairy industries by 50 percent.

A) Statement 1 and 2 is Normative Statements B) Statement 1 and 2 is Positive Statements C) Statement 1 is Positive Statement and Statement 2 is Normative Statement D) Statement 1 is Normative Statement and Statement 2 is Positive Statement

5. What is meant by intermediate goods and services?

A) The same as capital goods, such as plants, buildings, vehicles and machinery. B) Products which one firm buys off another and then uses up in its own products. C) All inputs bought by firms, including labour and raw materials. D) Imports.

6.Consider a world without scarcity of resources. Then what would be the consequences? A) All prices would be zero B) Markets would be unnecessary C) Economics would no longer be a useful subject D) All of the above

NEPAL ECONOMICS OLYMPIAD 2022

(Regional competition)

There are two sections of MCQs in this paper i.e. Section 1 and 2

Total Marks: 100

Set-A

• Use black ball point for shading only one circle for correct option of a question. • Negative Marking will be there for cutting, over writing and multiple circle shading.

All 50 multiple choice question will be graded (2 raw points for the correct answer, - 0.5 raw point for the incorrect answer, 0

Section-1

A) The opportunity cost would be \$17 because he chose not to participate in these activities. B) Without knowing the marginal value of practicing the piano, there is no way of knowing the true

C) The opportunity cost would be \$20 because it is necessary to calculate one additional hour of

D) The opportunity cost would be \$7 because it would be the most profitable alternative.

C) \$0 D) \$53,000

4.Statement 1: In May 2021, The government of Nepal reduced the tax being imposed on tea, textile

Statement 2: This is a good policy as the people will reduce consumption of imported coffee.

Set-A-1

7. "If you want to have anything done correctly, you have to do it yourself." This quote violates the principle of which of the following economic concepts?	19.In which of the following fiscal year did Nepal see the highest rise in inflation?A) 2018/19B) 2017/18C) 2016/17D) 2015/16	26.Bank A provided C.I.(Compour
A) Diminishing returns B) Comparative advantage C) Scarcity D) None of the above	20.Suppose price of a product increases from Rs.12 to Rs.20 and the Quantity Demanded falls from 55 a week to 45. What is the price elasticity of demand ?	interest per year. If you have Rs 100 between total interest amount in ye A) 150 B) 164
8. The international poverty line is currently set at \$1.90 a day. If A earns \$1 per day, we can conclude that A faces:	B) 2.5 C) -0.4	27.Due to inflation, the price of egg the present price of a dozen eggs.(C
A) Absolute Poverty B) Relative Poverty C) Both Absolute and Relative Poverty D) Generational Poverty	D) -2.5	A) Rs 12.36
9. Who is responsible for the mobilization of savings in the process of capital formation? A) Government B) Consumers C) Banks D) Investors	21. Underemployment isA) when people above a specified age not being in paid employment or self-employment but currently available for work during the reference periodB) the underuse of a worker because a job does not use the worker's skills, is part-time, or leaves the worker idle.	28.On 29th January 2021, Sanima I 488.8 with spread of 11.2 points. Th Price for 17 % bonus shares and 0.8 Bank Limited (SANIMA) A) Rs 576.246 B) Rs 414.62
10.Statement 1: Economic growth is the increase in the productive capacity of an economy over time. Statement 2: Economic development is defined as the increase in per capita income over a long period of time.	C) a type of unemployment that can last for many years and can be caused by changes in technology or shifting demographics D) the impact of economic recession or expansion on the total unemployment rate	29.Cynthia realized a rate of return year was 3.5%, what is her real rate
A) Statement 1 is true; statement 2 is falseB) Statement 1 is false; statement 2 is trueC) Both statements are trueD) Both statements are false		A) 2.5% B) 2.95%
 11. Which of the following is not a characteristic of developing countries? A) High dependence on extracting and exporting primary commodities B) Inadequate social services C) Mass poverty D) Many natural resources 	22. Which of the following is not a disadvantage of WTO in reference to Nepal?A) Due to the inability to compete with large scale industrial production, local industries may collapseB) Reduction in custom revenueC) Nepali products have gained access to the international market	30.The demand and supply functio $Q_s(p)=15p/2 - 10$ respectively. The c an excise tax of T per unit, which o A) P= 4 + 3/5 T B) P= 20-37
12. Which of the following policies will most likely increase the Gini coefficient? (Consider only the immediate effects)	 D) Local investors may be demotivated due to their incompetency with global investment 23. The average consumer divides his expenditure between food, accommodation and clothing in the ratio 5:3:2 During the course of a year, the price of food rises by 10 %, the price of accommodation 	31.If price is rising to the break-eve A) there is a consumer shortage C) P < ATC in a perfect competitio
A) A lump-sum tax of 100 dollars for every citizen.B) Fixed subsidy of 10 dollars for every citizen.C) Removing the regressive income tax.D) Neither of the options above.	remains constant and the price of clothing falls by 5%. What is the increase in the Consumer Price Index (Inflation) over the year? A) 2.5% B) 4% C) 5% D) 6%	32.Which of the following would m A) Output should be $MR = MC$ and C) Output should be $MR > MC$ and
13.The table gives hypothetical unemployment rates (%) for four countries in 2010 and 2019. USA Japan France China 2010 10.5 2.5 11.4 10.1 2019 5.0 5.4 8.8 8.5	24.Let's assume an economics model where the difference in government bond and fixed deposit inter- est provided by the bank is explained by the probability of default. The model is given as: (1,i) = (1,r)(1,i)r	 33.The difference between the inter kind of problem? A) principal-agent problem C) limited liability problem
 A) France had the lowest rate of employment in both years B) China had the most employed people in 2019 C) Japan more than doubled its labour productivity between 2010 and 2019 D) The USA created most jobs between 2010 and 2019 	(1+1) = (1-p)(1+1+x) Where i = interest rate of bond, p = probability of default, x = risk premium	34.Since the monopolist has many ability. This is also known as: A) purchasing power C) market power
14.What would not be classified as structural unemployment? A) a factory worker who is replaced by a machine on the production line B) a coal miner whose mine closes because of increased use of solar power	If the interest rate on government bonds is 5% and probability of default is 2% what's the interest rate provided by the banks on fixed deposits.	35.If the price of a variable resource A) a downward shift of MC
C) a textile worker whose factory closes as production moves abroad D) a fruit nicker who cannot find work in the winter months	A) 2.14% B) 6.1312% C) 7.14% D) 8.5912%	C) an upward shift in MC
 15. What's the main reason for educated unemployment in Nepal? A) To protest against the work culture B) To enjoy unemployment benefits 	25.In 2020, the life expectancy at birth of Nepali people was 70.8 years, expected years of schooling was 12.8 and the gross national income per capita (PPP) was \$3,457.	36.The fact that a firefighter's job is A) compensating differential C) the free-rider problem
C) Lack of educational institutions D) Lack of job opportunities	Dimension Indicator Min Max	37. The figure provided the inflation
16.Nepal is considered a dual economy because it is distinguished from other economies by having: A) an industrial sector and a manufacturing sector.	HealthLife expectancy (years)2085EducationExpected years of schooling018	[%] 12
B) a traditional agricultural sector and a modern industrial sector.	Standard of LivingGNI Income Per Capita (PPP\$)10075,000	
D) an industrial sector that concentrates on manufacturing and construction	Dimensional Index (DI)= (Actual value – Maximum) / (Maximum – Minimum)	9
17.In 2020, the GDP of Nepal was \$33.66 Billion. The national debt of Nepal amounted to around 13.61 billion, a \$4 billion increase compared to 2019. Calculate the government debt of Nepal in 2020.	Average Dimensional Index = $(DI_{Health} + DI_{Education} + DI_{Standard of Living})/3$ What is the Average Dimensional Index of Nepal?	8 7 6
A) 29.39% B) 41.62% C) 247.31% D) 40.43%	A) Very High Average Dimensional Index (0.800 r above)	5
18.Which of the following best describes the concept of negative trade balance?A) A country buys from abroad more than it sells abroad.B) A country buys from abroad less than it sells abroad.	B) High Average Dimensional Index (0.700 – 0.799) C) Medium Average Dimensional Index (0.550 – 0.699) D) Low Average Dimensional Index (Less than 0.550)	4 3 2008 2010 201
C) A country's GDP declines for more than three quarters.D) A country's FDI declines for more than three quarters.		

	Section-	2			
ound Interes 1000 worth o year 2040 (t) 1% per ye of deposits i Choose the C) 170	ear every ye n 2022 in b nearest esti	ar. Bank E oth banks mate). D) 186	provided 2% sin , What is the diff	nple ference
eggs has rise c.(Choose th	en by 30%, r e nearest es	now 3 less eg timate).	ggs are ava	ailable at Rs 7.80.	Find
B) Rs 9.36		C) Rs 10.3	6	D) Rs 11.36	
a Bank Lim The next da 0.89% cash	ited (SANI) w Nepal Sto dividend. W	MA) openeo ock Exchang /hat is the r	l trading a ge (NEPSE new adjust	at 500 and closed 2) adjusted Sanim ed price for Sanin	at Rs a Bank ma
.62	C) Rs 589.	45	D) Rs 41	7.78	
ırn last year ate of return	of 6% on he ?	er investme	nt portfoli	o. The inflation fo	or the
	C) 4.58%		D) 5.8%		
tions are giv le old equilit h of the follo 3T	en by $Q_d(p)$ prium price wing is the C) P= 50 +	=40-5p and is given by equation of - 15/2 T	p*=4. If t f the new (D) P= 35	he government ir equilibrium price + 17/3 T	nposes ?
even point a	s more and B) the mar	more firms ket structur	exit the n re is a mor	narket, then nopolistic compe- rition	tition
d monopolis	t support?	C III a perie	ct compe	.1(10)1	
and P > MC and P > MC	. B . D) Output sh) Output sh	ould be N ould be N	IR = MC and P = IR < MC and P >	MC. MC.
terests of ow	vners and m	anagers in	a firm wo	uld be considered	l: what
		B) free-rid D) margin	er probler al utility p	n problem	
ny barriers to	o entry and	no competi	ition, they	have the price-se	etting
		B) profit m D) efficien	aximizati cy	on	
irce increase	s, the result	would be			
		B) an upwa D) a down	ard shift ii ward shift	n AFC in ATC	
is more dar	ngerous thai	n a college p B) a negati D) the abil	professor's ve externa ity to pay	job is an exampl ality principle	e of
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NEPAL ECONOMICS OLYMPIAD 2022

(National Competition)

There are two sections in this paper i.e., Section A and B.

Total time: 3 hrs.

Section-A

Total marks: 100

INSTRUCTIONS:

- Attempt this section on MCQs Answer Sheet only.
- Use Black ballpoint for shading only one circle for the correct option of a question.
- No mark will be awarded for cutting, erasing, overwriting, and multiple circles shading.

All 20 multiple choice questions will be graded (2 raw points for the correct answer, -0.5 raw points for the incorrect answer, 0 points for no answer). Choose one answer in each question.

1. According to the chart, what is the unemployment rate?

[Emplo	oyed	8000	
	Unem	ployed	1000	
	Not in	the labor force	500	
(a) 1	.1%	(b) 0.01%	(c) 11%	(d) 1

2. McDonald's fast-food restaurant is an American-based industry but has franchises all over the world. The value of the output produced by a McDonald's restaurant in England is:

.75%

I. not included in the GDP for the United States

II. included in the GDP for the United States

III. included in England's GDP

IV. included in the GNP for the United States

(a) I only (b) I and IV (c) II and III (d) I, III, and IV

3. Suppose that investment increases by \$10 billion and the Marginal Propensity to Consume (MPC) are 0.8. The aggregate demand curve will shift
(a) leftward by \$30 billion at each price level
(b) rightward by \$5 billion at each price level
(c) rightward by \$80 billion at each price level
(d) rightward by \$50 billion at each price level

4. Cycling Cyclist Pvt. Ltd. has an inventory of 100 bicycles. Last year they sold 90 bikes for \$50 per bicycle. What is the value of output that would be included in the GDP for last year?
(a) \$5,000 (b) \$4,000 (c) \$450 (d) \$4,500

5. If the consumer price index was 90 in 2011 and five years later in 2016 it was 120, the purchasing power of the U.S. dollar fell by

(a) 25% (b) 75% (c) 100% (d) 125%

6. If Leo deposits \$150 in his checking account and later that day Leo's friend Terri negotiates a loan for \$5,000 at the same bank, how will this affect the supply of money?

(a) Increased by \$5,000	(b) Decreased by \$5,000
(c) Increased by \$4,850	(d) Decreased by \$4,850

7. What is often a result of full employment?

(a) Inflation increases(b) The MPS is 1.(c) The MPC is 1.(d) There is a balanced budget.

8. Both monetary and fiscal policy will have zero effect on real GDP

(a) when the aggregate supply curve is in the long run

(b) when the aggregate supply curve is in the short run

(c) when contractionary policies are enacted by the NRB

(d) when expansionary policies are enacted by the NRB

9. If the Central Bank buys \$50 million in government securities, then the money supply will
(a) decrease by \$50 million
(b) increase by \$25 million
(c) increase by \$50 million
(d) increase by \$25 million and the purchasing power of commercial banks will increase by \$25 million

10. Based on the information in the chart below, the GDP would be calculated as

Personal Consumption	\$ 3	\$ 1,000.00		
Personal taxes	\$	10.00		
U.S. Exports	\$	150.00		
U.S. Imports	\$	175.00		
Contributions to Social Security	\$	200.00		
Private domestic investments	\$	350.00		
Government investments	\$	600.00		
Corporate income tax	\$	35.00		

(a) \$1,975 billion

(b) \$2,150 billion

(c) \$2,500 billion

(d) \$1,675 billion

11. The following table shows the GDP deflator of a fictional country named: Paradis Island (base year 2011) from 2011 to 2020:

Y	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
G	100	107.74	115.37	124.64	130.13	129.44	150.96	157.53	164.92	170.88

Y = Year

G = GDP Deflator

Select the right answer.

a) The Inflation rate in 2011 was 0.

b) Cost of living from one year to the next year has always increased each year.

c) Inflation rate in 2020 was 5.96% (170.88 - 164.92).

d) Inflation was highest in 2017.

12. A representative basket of goods costs \$2500 in the United States. The same basket of goods costs £2000 in the UK. What can be deduced from this?

a) The £ sterling is 25% overvalued.

b) The £ sterling is 20% undervalued.

c) The purchasing power parity exchange rate of £ sterling is \$0.80 to the £.

d) The purchasing power parity exchange rate of £ sterling is \$1.25 to the £.

13. Last week, Michelle spent \$30 on apples. Today, Michelle still spends \$30 on apple even though its price has doubled? What is Michelle's price elasticity of demand for apple? (Use the midpoint formula for your calculation.) d) 2 a)

0.5 b) 1 c) 1.5

14. What happened to the yield curve if the government increases short-term interest? (Long term interest stay unchanged)

a)	The curve flattens	b) The curve steepens
c)	The curve shifts backward	d) There is movement along the curve

15. Which two of the following are most likely to reflect a move towards a more equal distribution of income?

i) The share of total income going to the top 20% of income earners rises from 40% to 50%ii) The Gini coefficient falls towards zero

iii) The Gini coefficient rises towards one

(a) \$57

iv) The share of income going to the bottom 20% of income earners falls from 8% to 7% v) The share of total income going to the bottom 50% of income earners rises from 40% to 50%

a) I and V b) II and IV c) II and V d) III and V

16. The data below provides some data on the quantity of labor, level of output, and revenue for a firm. What is the marginal revenue product of the 3rd worker employed?

	No. of workers	Total Output (Units)	Price per unit sold (\$)
	1	10	20
	2	15	19
	3	19	18
	4	22	17
	5	24	16
	6	25	15
	7	25	14
(b) \$72	(c)) \$33	(d) \$4

17. Which of the following is necessarily true if you work more when your wage rate increases?

(a) The income effect is large.

(b) The substitution effect is small.

(c) The income effect dominates the substitution effect.

(d) The substitution effect dominates the income effect.

18. Which of the following is true regarding equity and efficiency in competitive markets?

(a) Competitive markets ensure equity and efficiency.

(b) There is often a trade-off between equity and efficiency.

(c) Competitive markets lead to neither equity nor efficiency.

(d) There is general agreement about the level of equity and efficiency in a market.

19. An excise tax imposed on sellers in a market will result in which of the following?I. an upward shift of the supply curveII. a downward shift of the demand curve

II. a downward shift of the de

III. deadweight loss

(a) I only (b) II only (c) III only (d) I and III only

20. If the Federal Reserve lowered the reserve ratio to 5%, what would be the money multiplier? (a) 20 (b) 10 (c) 5 (d) 50

Section-B

All open questions will be graded (15 raw points for the correct answer, 0 points for no answer). Choose and answer only four (4) questions from below. Candidates are required to give their answers in their own words as far as practicable.

1. NEO is planning to decrease the team size of the Business Case Competition to two members for NEO 2023. The two members are randomly and the points of the pair are shared equally between the two. Our analysts have come up with a model that divides the participants into 3 groups based on the utility that they obtain from being paired up and the cost they bear. The groups are Tier A, Tier B, and Tier C. A being the most serious(studious), B the balanced (Average), and C the free riders. The payoff matrix they face for forming a pair is

Utility for	Tier A	Tier B	Tier C
Paired with A	10	7	5
Paired with B	7	5	3
Paired with C	5	3	0

With logic: being paired with a higher tier will make it easier to do the task (so higher utility) and the lower the tier the more the work falls on your hands (so lower utility).

The dominant strategy here is to try becoming a Tier A. But since studying is tiring and the higher the tier you fall under more you must study so there is a tradeoff for Being at a higher tier. Tier A people face a cost (negative utility) of 0.27, and tier B faces a cost of 0.6 as they are tired of pulling continuous all-nighters preparing for. But on another hand Tier C actually has a positive utility of 2.2 as they probably spent their time playing video games.

- Suppose people decide individually how much effort they want to put in; each of them maximizes their utility. We say that people's decisions form a Nash equilibrium if no one can benefit by changing their decision with others' decisions fixed. What percentage of people would be Tier A, Tier B, and Tier C.
- ii) After the disappointing results from this model NEO had decided to double the points from the event, essentially doubling the utilities (costs are constant). What will happen to the distribution of people in Tier A, B, and C? (Answer without calculations)
- 2. Economics is often called dismal science because of Malthusian theory and statements like "In the long run we are all dead". But when we consider the present scenario, the theory seems to be off base since humanity has continued to prosper year by year and today, we have the lowest poverty and malnutrition rates in decades.
- i) What is Malthusian theory and why has not the dystopian future become a reality? (8)
- ii) When we look at the division of natural resources and level of development, we often find them to be inversely proportional which might sound counterintuitive to most. Why are nations with large amounts of natural resources (African Countries) less developed than the nations with limited resources (European Countries)?
 (7)
- 3. Provide workings and explanations for following:
- i) Given equal resources, country A can produce 30 clothes or 40 widgets, and country B can produce 20 clothes or 10 widgets. Identify which country has an absolute

advantage and comparative advantage in the production of these goods. (2)

ii) What are the mutually beneficial terms of trade in this situation? (3)

- (Terms of trade in this question indicate the rate at which one good can be exchanged for another)
- iii) Due to advancements in widget-making technology, country A's productive capacity increases and can produce an additional 50 widgets using the same resources as before. How does this affect the trade with country B? (5)
- iv) The market for widgets in country A is perfectly competitive; D = 100 20P is the demand function, the supply function is given by S = 20P 20. The world price for widgets is 2. If the government introduces a tariff t=1, by how much will the quantity of imports decrease? (5)

4. Contribution-Based Social Security Scheme

In 2018, Nepal rolled out a contribution-based social security scheme that aimed to put an end to the present financial insecurity and future uncertainty of nearly 3.5 million private workers. While the scheme looks good on a superficial level, the outcomes realized through its implementation suggest otherwise.

The ineptitude of the scheme to meet the desired objective is portrayed by the resistance of both private organizations and workers to enroll in it. Despite more than three years of its initiation, the scheme has not been able to rope in even <u>10 percent</u> of the targeted workers. Out of 0.74 million formal private institutions, only <u>2.26 percent have registered</u>. Ironically, the resistance is largely attributable to the <u>financial and job insecurity</u> that one must face while contributing a significant portion of their income to the fund.

The scheme stipulates that the employer must contribute 20% of the employees' basic monthly salary to the fund. The private sector – <u>especially MSMEs</u> – have time and again portrayed their challenge in sourcing funds for the same. For instance, Yam Bahadur Shrestha, Past President of Jhapa Chamber of Industry, highlighted that, businesses do not have the financial capacity to contribute to the fund, and doing so will hamper their operations as well as scaling up plans. Likewise, during the COVID-19 pandemic-induced economic downturn, it was reported that companies made workers' pay up to <u>20 percent</u> of social security payments out-of-pocket due to slashed business income.

Workers are losing, too. For many individuals, contributing one-third of their monthly earnings translates into reduced disposable income and erosion of their purchasing capacity. Portraying the same, in 2021, trade unions filed a <u>petition</u> at the Supreme Court to repeal the mandatory registration clause arguing the welfare fund to be less beneficial to the workers, especially when one considers other non-mandatory alternatives of savings and investment.

Another peculiar consequence is the entry barrier that it has created for new businesses as well as youth employment. The World Bank reported that mandatory social security registration has posed an additional <u>administrative and financial burden</u> on companies, pushing Nepal down five places to 110th in the ease of doing business index. As per entrepreneurs in the country, the slashed income and requirement to contribute for at least 15 years to acquire benefit from the scheme, has made getting employed unattractive for youths.

Amidst the adversities, few companies have indeed benefitted. With the contribution to SSF creating hindrances for financial management and new entrants, it is expected that large companies with adequate financial capacity and resources to comply with the regulation will experience limited competition. Additionally, it has been reported that since SSF provides full compensation in case of accident or death of a worker which otherwise had to be solely managed by the companies, the <u>companies will realize a net gain</u>.

- i) Who are the beneficiaries of the Social Security Fund? (5)
- ii) Who ultimately bears the cost of SSF? (5)
- iii) What is an alternative way of providing social security to workers? Why would this alternative work better than SSF? (5)

5. Suppose you were the manager of a store selling Espirit clothes. You have a regular customer for whom Benetton, as a brand, acts as a close but not perfect substitute for your brand. Consider a certain level of income that this customer spends on clothes shopping amongst your store and Benetton store. With the help of graphical analysis:

- i) Show how this customer of yours reaches an optimum solution where she maximizes her satisfaction. (7)
- ii) Explain how income and substitution effects take place when the price of your clothes (Espirit) goes down.(8)

BEST OF LUCK

Regional Selection Syllabus:

This regional competition is based on the syllabus of high school economics (A Level and Grades 11 & 12), including but not limited to Nepal's prevailing monetary and fiscal policies. The total points in this round will be 100. The time allocated for the regional competition will be 90 minutes. Some important things to note:

- 1. The regional selection consists of multiple-choice questions (MCQs) related to Economics, Business, and Mathematics.
- 2. The tasks in this section test the contestants' understanding of basic economic concepts and models, their curiosity about the field, and their analytical skills. This section of the competition is individual competition.
- 3. The questions for each province will be the same, and exams will take place simultaneously to ensure no disparity.
- 4. The competition is individual and closed book. A contestant may use a simple pocket calculator and dictionary to translate words. The dictionary must be clean without any notes or extra sheets of paper. Smartphones and other devices are prohibited.
- 5. All tasks will be provided only in English.
- 6. The exam will consist of 50 MCQs. The questions will be categorized into sections I and II, each containing 25 questions.
- 7. The respective topics under Part I and Part II are listed below. The overall time allotted for the regional exam is 90 minutes. MCQs test the basic understanding of economic concepts (which may include simple calculations).
- 8. Participants will score two marks for each correct answer. However, a negative marking of minus
- 9. 0.5 marks will be applied for each incorrect answer.
- 10. If the total score is tied between participants, they will be interviewed for further evaluation.

Note that each MCQ shall be from one or more of the following course topics:

Microeconomics

Unit 1: Basic Economic Concepts

- Topic 1.1: Scarcity
- Topic 1.2: Resource Allocation and Economic Systems
- Topic 1.3: Production Possibilities Curve
- Topic 1.4: Comparative Advantage and Trade
- Topic 1.5: Cost-Benefit Analysis
- Topic 1.6: Marginal Analysis and Consumer Choice

Unit 2: Supply and Demand

- Topic 2.1: Demand
- Topic 2.2: Supply

- Topic 2.3: Price Elasticity of Demand
- Topic 2.4: Price Elasticity of Supply
- Topic 2.5: Other Elasticities
- Topic 2.6: Market Equilibrium and Consumer and Producer Surplus
- Topic 2.7: Market Disequilibrium and Changes in Equilibrium
- Topic 2.8: The Effects of Government Intervention in Markets
- Topic 2.9: International Trade and Public Policy

Unit 3: Production, Cost, and the Perfect Competition Model

- Topic 3.1: The Production Function
- Topic 3.2: Short-Run Production Costs
- Topic 3.3: Long-Run Production Costs
- Topic 3.4: Types of Profit
- Topic 3.5: Profit Maximization
- Topic 3.6: Firms' Short-Run Decisions to Produce and Long-Run Decisions to Enter or

Exit a Market

Topic 3.7: Perfect Competition

Unit 4: Imperfect Competition

- Topic 4.1: Introduction to Imperfectly Competitive Markets
- Topic 4.2: Monopoly
- Topic 4.3: Price Discrimination
- Topic 4.4: Monopolistic Competition
- Topic 4.5: Oligopoly and Game Theory

Unit 5: Factor Markets

- Topic 5.1: Introduction to Factor Markets
- Topic 5.2: Changes in Factor Demand and Factor Supply
- Topic 5.3: Profit-Maximizing Behavior in Perfectly Competitive Factor Markets
- Topic 5.4: Monopsonistic Markets

Unit 6: Market Failure and the Role of Government

- Topic 6.1: Socially Efficient and Inefficient Market Outcomes
- Topic 6.2: Externalities
- Topic 6.3: Public and Private Goods
- Topic 6.4: The Effects of Government Intervention in Different Market Structures
- Topic 6.5: Inequality

Macroeconomics

Unit 1: Basic Economic Concepts

- Topic 1.1: Scarcity
- Topic 1.2: Opportunity Cost and the Production Possibilities Curve (PPC)
- Topic 1.3: Comparative Advantage and the Gains from Trade

- Topic 1.4: Demand
- Topic 1.5: Supply
- Topic 1.6: Market Equilibrium, Disequilibrium, and Changes in Equilibrium

Unit 2: Economic Indicators and the Business Cycle

- Topic 2.1: The Circular Flow and GDP
- Topic 2.2: Limitations of GDP
- Topic 2.3: Unemployment
- Topic 2.4: Price Indices and Inflation
- Topic 2.5: Costs of Inflation
- Topic 2.6: Real v. Nominal GDP
- Topic 2.7: Business Cycles

Unit 3: National Income and Price Determination

- Topic 3.1: Aggregate Demand (AD)
- Topic 3.2: Multipliers
- Topic 3.3: Short-Run Aggregate Supply (SRAS)
- Topic 3.4: Long-Run Aggregate Supply (LRAS)
- Topic 3.5: Equilibrium in the Aggregate Demand-Aggregate Supply (AD-AS) Model
- Topic 3.6: Changes in the AD-AS Model in the Short-Run
- Topic 3.7: Long-Run Self-Adjustment
- Topic 3.8: Fiscal Policy
- Topic 3.9: Automatic Stabilizers

Unit 4: Financial Sector

- Topic 4.1: Financial Assets
- Topic 4.2: Nominal v. Real Interest Rates
- Topic 4.3: Definition, Measurement, and Functions of Money
- Topic 4.4: Banking and the Expansion of the Money Supply
- Topic 4.5: The Money Market
- Topic 4.6: Monetary Policy
- Topic 4.7: The Loanable Funds Market

Unit 5: Long-Run Consequences of Stabilization Policies

- Topic 5.1: Fiscal and Monetary Policy Actions in the Short Run
- Topic 5.2: The Phillips Curve
- Topic 5.3: Money Growth and Inflation
- Topic 5.4: Government Deficits and the National Debt
- Topic 5.5: Crowing Out
- Topic 5.6: Economic Growth
- Topic 5.7: Public Policy and Economic Growth

Unit 6: Open Economy – International Trade and Finance

Topic 6.1: Balance of Payment Accounts

- Topic 6.2: Exchange Rates
- Topic 6.3: The Foreign Exchange Market
- Topic 6.4: Effect of Changes in Policies and Economic Conditions on the Foreign Exchange Market
- Topic 6.5: Changes in the Foreign Exchange Market and Net Exports
- Topic 6.6: Real Interest Rates and International Capital Flows

Additional Topics

Unit 1: Personal Finance Modules:

- Topic 1.1: Banking Basics
- Topic 1.2: Income and Employment
- Topic 1.3: Budgeting
- Topic 1.4: Stock and Insurance

Unit 2: Nepalese Economy

- Topic 2.1: Overview of the Nepalese Economy
- Topic 2.2: Natural Resources of Nepal
- Topic 2.3: Agriculture Industry
- Topic 2.4: Stock, Trade, and Banking

Unit 3: Quantitative Techniques in Economics

- Topic 3.1: Quantitative Analysis in Economics
- Topic 3.2: Basic Probability and Statistics
- Topic 3.3: Basic Mathematics
- Topic 3.4: Basic Calculus

Unit 4: Policy

- Topic 4.1: Monetary policy (Concept and the latest policy in Nepal)
- Topic 4.2: Fiscal policy (Concept and the newest policy in Nepal)
- Topic 4.3: Current National and International Affairs