

Taras Shevchenko National University of Kyiv
Faculty of Economics

**ENTRANCE EXAMINATION
IN ECONOMICS**

for postgraduate studies leading
to Master's Degree in Economics

Economics Academic Programme

Kyiv - 2017

Introduction

The Department of Economic Theory, Macro- and Microeconomics at Taras Shevchenko National University of Kyiv offers a taught programme leading to Master's Degree in Economics. The principal disciplines of the postgraduate studies are Economics, Microeconomics, and Macroeconomics.

The specialists in economic theory and economic policy must be perfectly knowledgeable about terminology and tools of modern economic theory and economic policy, basic laws and principles of the market economy.

To check compliance of the applicants with the requirements for the postgraduate programme in Economics, the candidates are to take their entrance examination in Economics.

The **goal** of the examination is to provide an opportunity for the most proficient applicants to be selected for the university annual intake of students and offer them our academic environment for mastering disciplines of the Master's Degree programme.

The prospective students are expected to demonstrate appropriate knowledge and skills corresponding to the Bachelor's Degree holders in this field.

Requirements for the professional background and competence of the applicants. In order to successfully cope with the academic programme leading to Master's Degree in Economics, the applicants must have Bachelor's Degree in Economics, as well as the mastery of knowledge and skills in the field of socio-economic and professional oriented disciplines.

Content of the programme of the entrance examination. The entrance examination to postgraduate studies in Economics is based on a comprehensive programme that integrates the principles of Economics, Microeconomics and Macroeconomics.

The procedure of the examination in Economics is specified by the *Regulations on the Admission to the Taught Postgraduate Programmes Leading to Masters' Degrees at the Faculties and Institutes of Taras Shevchenko National University of Kyiv*.

The prospective students applying for the postgraduate programme in Economics are to take their entrance examination in Economics in written.

Topics of the entrance examination in Economics

INTRODUCTION AND BASIC CONCEPTS

Introduction: the economic problem. Good economics and economic systems scarcity. Choice and opportunity cost. Types of economic systems – traditional, command, market and mixed.

DEMAND AND SUPPLY ANALYSIS

The demand function and the demand curve. Changes in demand. Movements along the demand curve. The supply function and the supply curve. Changes in supply. Movements along the supply curve. Aggregating the demand and supply functions. Determination of price by demand and supply. Laws of demand and supply. Market equilibrium. The Market mechanism: iterating toward equilibrium – or not. Restraining the market mechanism: price ceilings and price floors. Consumer and producer surplus.

PREFERENCES AND UTILITY

Total and marginal utility – pillars for rational decisions. The “law” of diminishing marginal utility. Consumer equilibrium based on the utility theory approach. From marginal utility to the demand curve.

INDIFFERENCE CURVE ANALYSIS

Indifference curves. Properties of an indifference curve. Slope of the indifference curve (marginal rate of substitution). Principle of diminishing marginal rate of substitution. The budget line. Slope of the budget line. Factors resulting in a pivot and shift of the budget line. Consumer equilibrium. Derivation of the demand curve. Income and substitution. Effects of a price change.

CONSUMER DEMAND

Quantity demanded. determinants of quantity demanded. Demand and prices. The demand schedule and the demand curve. Movements along the demand curve vs shifts of the demand curve. Market demand.

WHEN MARKET CONDITIONS CHANGE

Elasticity analysis: the measure of responsiveness. Price elasticity of demand the measurement of price elasticity. Determinants of price elasticity. Price elasticity of demand and the shapes of the demand curves. Other demand elasticities: income elasticity of demand; cross elasticity of demand. Elasticity of supply. Determinants of supply elasticity.

PRODUCTION AND COSTS

The framework time horizons for decision making. The short-run and the long-run . The production function input choices. The choice and optimal input combinations. Isoquants and isocosts. Substitutability. Output and cost total. Average and marginal products. Marginal and average product curves. The "law" of diminishing returns. Optimal quantity

of an input and diminishing returns. Cost curves. Fixed costs and variable costs. Economies of scale. Long-run versus short-run costs. Production: costs and profits. Profit-maximizing output.

COMPETITIVE MARKETS

Market structure and behaviour. The significance of market structure. Definition of perfect competition. Demand and revenue for a firm in perfect competition. Short-run equilibrium rules for all profit maximising firms. Short-run profitability of the perfectly competitive firm. Short-run losses. Shutdown and break-even analysis. Short-run supply curve of the competitive firm and the competitive industry. Long-run equilibrium: The effect of entry and exit. Conditions for long-run equilibrium. The long-run industry supply curve. Zero economic profit. Perfect competition and efficiency.

MONOPOLY

Definition of monopoly. Causes of monopoly: barriers to entry and cost advantages. Cost and revenue in the short-run. Short and long-run monopoly. Equilibrium and the determination of profit maximising output. Natural monopoly. Comparison of monopoly and perfect competition. Can monopolies be good? Price discrimination under monopoly.

MONOPOLISTIC COMPETITION

Demand analysis in monopolistically competitive markets. Supply analysis in monopolistically competitive markets. Optimal price and output in monopolistically competitive markets. Factors affecting long-run equilibrium in monopolistically competitive markets.

OLIGOPOLY

Demand analysis and pricing strategies in oligopoly markets. Supply analysis in oligopoly markets. Optimal price and output in oligopoly markets. Factors affecting long-run equilibrium in oligopoly markets.

INTRODUCTION: MACROECONOMIC ISSUES AND MEASUREMENT

What is macroeconomics about? National income accounts: national output concepts; Gross Domestic Product (GDP), Gross National Income (GNI), Output as value added. Three measures of output: output, income and expenditure. Consumption expenditure. Investment. Government purchases. Net exports. Real versus nominal GDP. GDP deflator. Circular flow.

MACROECONOMIC EQUILIBRIUM: THE AD-AS MODEL

Aggregate demand (AD). The aggregate demand curves. Factors that influence aggregate demand. Aggregate supply (AS). The aggregate supply curves. Factors that influence aggregate supply. Short-run aggregate supply curve (SRAS) and long-run aggregate supply curve (LRAS). Short-run equilibrium. Long-run equilibrium. AD-AS model versus “Input-Output” model.

CONSUMPTION, SAVING AND INVESTMENT

Consumption. Autonomous consumption. The Basic Keynesian model of consumption. Marginal propensity to consume (MPC). Average propensity to consumption (APC). Consumption curve. Saving. Autonomous saving. Marginal propensity to save (MPS). Average propensity to save (APS). Saving curve. Investment. Autonomous investment. Interest rates. Saving-investment diagram. Impact of investment on the economy. Keynesian and neoclassical theory of autonomous investment. The multiplier Determination.

MACROECONOMIC INSTABILITY: BUSINESS CYCLES

Macroeconomic instability. The business cycles determination. Business cycle illustration. The phases of business cycles: crisis, depression, recovery and economic growth. Recession. Stagnation. Types of business cycles. Kondratiev's long-run cycles (waves). Business cycle theory and models. Keynesian and classical views on economic fluctuations. Real business cycle model. Keynesian model of business cycle.

MACROECONOMIC INSTABILITY: INFLATION

Definition of inflation. Inflation: causes and impact. The types of inflation. Hyperinflation. The anticipated and unanticipated inflation. Measuring inflation. The price level and inflation rate. Consumer price index. Impact of inflation on the economy. Deflation. Stagflation. Anti-inflation policy.

MACROECONOMIC INSTABILITY: UNEMPLOYMENT

The labour market model, Employment and unemployment. Employment and definition of unemployment. The demand curve for labour. The supply curve for labour. The types of unemployment. Frictional unemployment. Structural unemployment. Natural unemployment. Measuring employment and unemployment. Employment ratio. Unemployment rate. Natural rate of unemployment. Impact of unemployment on the economy. GDP gaps. Okun's law. Unemployment policy. The basic Phillips curve. The modern Phillips curve.

ECONOMIC GROWTH AND DEVELOPMENT

Definition of economic growth. The types of economic growth: extensive and intensive. The sources of growth. Drivers of growth: technology, policy, and institutions. Cobb-Douglas model of economic growth. The Keynesian models of economic growth. The Solow model of economic growth. Population growth. Capital growth. Technology growth. Economic growth and Economic development.

MONEY AND MONETARY POLICY

Meaning of money. Functions of money. Forms of money. The monetary aggregates: M0, M1, M2, M3 and L. The liquidity. The money supply. The money multiplier. The money demand. Quantity theory of money. Keynesian theory of money demand: transactions motive. Precautionary motive. Speculative motive. Putting the three motives together. The money equilibrium. The *LM* curve. Monetary policy and Central Banks. Tools of monetary policy. The interest rate policy. Inflation targeting policy.

FISCAL POLICY

The financial system and fiscal policy. The types of fiscal policy. Tools of fiscal policy. The budget system. The government budget. Government purchases and taxes. The budget surplus. The budget deficit. The types of budget deficit. Optimal budget deficit. Methods of financing the budget deficit. The state debt. The types of state debt. Impact of state debt on the economy. Default. Public debt management. The *IS* curve. The *IS-LM* curve. Financial crises and the economy.

MACROECONOMIC POLICY IN AN OPEN ECONOMY

Closed and open economies. International economic relations. The role of international trade in economic development. Gains from trade. International monetary relations. International capital flows. Labour migration. Definition of the exchange rate. The nominal exchange rate versus real exchange rate. Structure of the balance of payments (BOP). The significance of BOP equilibrium/disequilibrium. International economic policy. Free trade and protectionism. Globalization and its contradictions. The model of small open economy. Mandrel-Fleming model.

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