

Notes:

- There are 16 multiple-choice questions in this test.
- For each question, select only ONE answer which you consider as the most appropriate.
- The total mark is 100, with 6.25 marks for each question.

===== Beginning of test =====

The following is an excerpt from the article "Both demand and supply continue to rise" published on *Global Property Guide* on August 25, 2021. Read the excerpt and answer Questions 1-3.

Taiwan's Lutheran home price index rose by 10.8% (9.4% inflation-adjusted) during the year to Q1 2021, a sharp improvement from the previous year's 2.7% increase and the biggest y-o-y growth in seven years, according to Sinyi Real Estate Planning and Research. Quarter-on-quarter, nationwide house prices increased 4.3% (4% inflation-adjusted) in Q1 2021.

In Taipei, the capital, house prices were up 9.2% (7.8% inflation-adjusted) during the year to Q1 2021, in contrast to a 0.1% fall in the previous year. It was the capital city's best performance since Q4 2013. On a quarterly basis, house prices in Taipei increased 2.5% (2.2% inflation-adjusted) during the latest quarter.....

Both demand and supply continue to rise, despite the pandemic. In the first four months of 2021, housing transactions in Taiwan's six major cities rose by 19.3% y-o-y to 84,677 units, with Kaohsiung registering the highest growth of 24.7%. During 2020, housing transactions were estimated to have reached 250,000 units – the highest level in six years.....

Taipei now vies with Monaco for having the lowest yields in the world. With buying prices per square metre averaging a steller US\$7,200 to US\$9,200, depending on size, and rents still affordable (where else can you rent a US\$1.8 million home for just US\$2,200 per month?), Taipei is not a happy place for landlords.

The owner of an apartment in Taipei will be lucky to realize 2% yields, except on the very smallest apartments. Given that the Global Property Guide's figures are for gross rental yields, i.e., do not make any allowance for vacant periods, for legal costs, administration costs, cleaning and repairs, rental taxes, property taxes, and other taxes, it is safe to say that landlords in Taiwan earn nothing on their apartments.

We believe apartments in Taipei are overvalued - and will fall in price. But we should warn readers that we can get it wrong!

1. According to the article, what is the quarterly net return rate to properties in Taipei in Q4 2021?
 - (a) 10.8%
 - (b) 2%
 - (c) 0%
 - (d) there is no sufficient information to answer this question
2. According to the article, apartments in Taipei are overvalued because
 - (a) a rise in demand
 - (b) a rise in supply
 - (c) rises in both demand and supply
 - (d) the author does not provide the reason
3. According to the article, why are property owners in Taipei unhappy?
 - (a) The increasing housing price makes it more difficult to raise investment
 - (b) The increased supply offset the price hike boosted by the increased demand
 - (c) The increased inflation rate eroded property return
 - (d) The net return rate was low

見背面

The following is an excerpt from the article "Do tips make for better service?" published on *The Economist* on January 15, 2022.

Read the excerpt and answer Questions 4-7.

.....The most obvious economic justification for tipping is that it encourages the server to perform better. But the logic of the tip as an incentive is far from solid. Most customers in restaurants are not regulars. A one-time customer will not benefit in future by leaving a tip at the end of a meal. But even repeat customers do not seem to use tip rates to reward or to punish the server. Mr Azar says that if they did, their tips would more closely rise or fall according to the quality of service than with more casual diners. But he could find no such evidence. More strikingly, service quality in countries such as Japan and South Korea, where tipping is exceedingly rare, is not noticeably inferior to service in America or Europe.

If tips operated as incentives, one might expect them to be more common in professions where the customer repeatedly interacts with the provider. But that does not seem to be the case either, since a wealth of professions, such as dental hygienists, car mechanics or vets, entirely lack a culture of tipping. In Mr Azar's survey, only 14% of Americans said they tipped to avoid poor service in future.

One study finds that quality of service explains a variation of no more than 5% in the size of the tip. In a study of rides using Uber, where only 15% of trips are tipped, the passenger's characteristics proved three times more relevant than those of the driver when explaining the size of the tip.

Tipping quite often benefits the restaurateur or business as much as—sometimes even more than—the recipient of the tip. Having enticed a customer with low up-front prices, a tip is then extracted later—and sometimes doesn't even go entirely to the supposed recipient. Recently online platforms like Twitter, Facebook and YouTube have sought to keep the best talent on their own platforms by letting their star "creators" accept tips, with the company sometimes keeping a slice for itself. Order a coffee or a bagel to take away in Washington or New York, and nowadays the server is quite likely to swivel their tablet around, asking on-screen if you would like to leave a tip. Many find it awkward to refuse.

Tipping also passes a chunk of risk from managers to servers, if business is booming, both management and the servers benefit, because tips are more plentiful. When business is slack, servers' incomes fall along with overall revenue. The degree of risk-sharing varies by country. In Britain and Germany, for example, tips do not count towards the minimum wage. But in France and parts of America that have a "tipped minimum wage", employees in effect lose the first tips they earn to their employer, who can count them as part of the minimum.

4. Assuming that restaurants A and B are identical except that the proportion of regular customers for restaurant A is higher than that for restaurant B, which of the following is true if tips operate as incentives?
 - (a) A receives more tips
 - (b) B receives more tips
 - (c) A and B receive the same amount of tips
 - (d) There is no sufficient information to answer this question
5. What is the meaning of this phrase "Order a coffee or a bagel to take away in Washington or New York, and nowadays the server is quite likely to swivel their tablet around, asking on-screen if you would like to leave a tip. Many find it awkward to refuse."?
 - (a) Restaurateur and business managers found a new way to keep a large slice of tips
 - (b) Technology helps collect tips
 - (c) Tips may not go to the supposed recipient
 - (d) Customers are more likely to tip in front of direct asking
6. As to the "risk-sharing" mentioned in the article, which of the following is NOT true?
 - (a) It refers to risk sharing between business owners and employees
 - (b) The degree of risk sharing is higher in France than that in Germany
 - (c) Tips are considered as part of minimum wage in the USA
 - (d) Business owners in France take more risk than those in Germany

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7. Which of the following findings does not contradict with the hypothesis that tips are incentivized to entice service quality?
- (a) The majority of restaurant customers are casual patrons
 - (b) Social media platforms have permitted their star "creators" to accept tips
 - (c) Professionals that warrants intensive interactions with customers are rarely tipped
 - (d) The characteristics of Uber drivers are not important in enticing tips

The following is an excerpt from the article "Do tips make for better service?" published on *The Economist* on January 15, 2022. Read the excerpt and answer Questions 8-10.

.....Indeed, the Big Mac's birthplace is one of the priciest places to buy it, according to our comparison of over 70 countries around the world. In Vietnam, for example, the burger costs 69,000 dong. Although that sounds like an awful lot, you can get a lot of dong for your dollar and, therefore, a lot of bang for your buck in Vietnam. You can buy 69,000 dong for only \$3 on the foreign-exchange market. And so a Big Mac in Vietnam works out to be 47% cheaper than in America.

In principle, the value of a currency should reflect its power to buy things, according to the doctrine of "purchasing-power-parity", a term coined by Gustav Cassel, a Swedish economist, in 1918. Since 69,000 dong and \$5.65 have the same power to buy a burger, they should be worth the same amount. The fact that you can buy a burger's worth of dong for 47% less than a burger's worth of dollars suggests the dong is undervalued.

America's Treasury certainly thinks so. Twice a year it reports to Congress on countries that might be keeping their currencies artificially cheap to boost exports and steal a competitive edge. In April it confirmed that Vietnam was one of a trio of trading partners, alongside Switzerland and Taiwan, pursuing "potentially unfair" currency practices, based on three tests of its devising. (Vietnam has a "significant" trade surplus with America, a "material" external surplus with the world, and its central bank buys a lot of dollars and other foreign currencies.) In recent months, America's Treasury has been browbeating Vietnam to mend its ways, a process known as "enhanced engagement".

On July 19th the two sides reached a deal. Vietnam's central bank promised not to indulge in competitive devaluation. It also said it would gradually let the currency fluctuate more freely and it would be more open about its interventions in the currency markets. With luck this will avert harmful tariffs or any similar enhancements of the two countries' engagement.

8. Which of the following is NOT an evaluation criterion used by the US government when designating a currency manipulator?
- (a) An excessive trade surplus with the US
 - (b) A disproportionate global current account surplus
 - (c) An abrupt devaluation in the local currency
 - (d) An aggressive purchase of foreign currencies
9. Assuming that a Big Mac burger is sold at NT\$75 in Taiwan and at US\$5 in the US. At the same time, the USD-to-NTD exchange rate is 25. By how much is NTD undervalued according to the Big Mac index
- (a) 25%
 - (b) 33.3%
 - (c) 40%
 - (d) 50%
10. The phrase "more open about its interventions" does NOT refers to
- (a) being more transparent on buying and selling currencies
 - (b) allowing for more currency fluctuation
 - (c) being more compliant with the US currency guideline
 - (d) being more engaged in competitive devaluation

見背面

The following is an excerpt from the article "Pricing power is highly prized on Wall Street" published on *The Economist* on November 6, 2021. Read the excerpt and answer Questions 11-13.

MCDONALD'S HAS employed a "barbell" pricing strategy for decades, luring customers with low-cost items in the hope that they will then splurge on pricier fare. This balancing act is now at risk. On October 27th the fast-food giant said that, due to rising costs, prices at its American restaurants will increase by 6% this year compared with 2020. The burger chain says labour expenses have risen by 10% at its franchised restaurants and 15% at its company owned locations. Add the rising cost of ingredients and the result is higher prices for burgers and fries. For now, it seems, customers can stomach it. Chris Kempczinski, McDonald's boss, said the increase "has been pretty well received". After digesting the news, investors have sent shares in the fast-food firm up by 6%.....

Identifying firms with pricing power is crucial for investors. Analysts tend to look for three things. The first is a big markup—the difference between the price of a good and its marginal cost—which only firms with market power can get away with. Big and steady profit margins are another sign of pricing power. "If you are a firm that is dominant in your market, you are much more resilient to shocks," explains Jan Eeckhout, an economist and the author of "The Profit Paradox", a book published earlier this year.

Size is another factor. All else equal, bigger companies with greater market share have more pricing power than smaller ones. A recent survey of American CFOs conducted by Duke University and the Federal Reserve Banks of Richmond and Atlanta found that 85% of large firms reported passing on cost increases to customers, compared with 72% of small firms.

For now, demand is robust and consumers seem relatively insensitive to price changes. But companies are planning more price increases. A survey by America's National Federation of Independent Business, a trade group, found that the margin of small-business owners planning to raise prices in the next three months over those planning to lower them grew to 46%, the biggest gap since October 1979. This is a concern for some central bankers such as James Bullard, president of the Federal Reserve Bank of St Louis. In October he noted that for years companies have worried that if they raised prices, they would lose market share. "That may be breaking down," he says.

11. What does the term "margin" in the phrase "the margin of small-business owners planning to raise prices in the next three months over those planning to lower them grew to 46%" mean?
 - (a) difference
 - (b) proportion
 - (c) ratio
 - (d) profit margin
12. According to the article, which of the following is NOT a determinant for a firm's pricing power?
 - (a) The firm's long-term investment
 - (b) The firm's market share
 - (c) The difference between its product price and marginal cost
 - (d) The difference between its product price and average cost
13. What is the concern for central banks?
 - (a) It is difficult to identify firms with pricing power
 - (b) Investors increase their long positions in fast-food firms' stocks
 - (c) Customers can stomach price hikes
 - (d) The "barbell" pricing strategy is no longer adopted

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The following is an excerpt from the article "The used-car conundrum" published on *The Economist* on November 6, 2021. Read the excerpt and answer Questions 14-16.

.....Consumer-price inflation has risen to 5.4% in America, the highest in 30 years. On November 3rd the Federal Reserve said it would taper bond purchases, a step towards higher interest rates. Most economists say that this bout of inflation is a result of temporary disruptions caused by covid-19, and that it will pass. But some think it presages a longer-term trend.

A leading argument by inflation doves has been that just a few items have caused a large share of total price increases.....This case rests on two claims, which both merit scrutiny. One clearly stands up: when compared with past periods with similar inflation, current price rises are indeed unusually concentrated. The other- that inflation is likely to slow down as a result-is also broadly true.....

To test these hypotheses, we built a dataset of price levels since 1959 for every item-from housing to lottery tickets-in the personal consumption expenditures (PCE) index, one of the Fed's preferred metrics. For each rolling 12-month period, we calculated a measure of how much price changes vary between items: their standard deviation. When a few components account for a large share of inflation, this number is high. When most items' prices change by similar amounts, it is low. This measure is now abnormally high.....

The notion that a few big price changes can lead forecasters astray is hardly new. In the 1970s economists devised "core" inflation, which excludes food and energy. More recently, "trimmed-mean" measures, which drop the items whose prices have swung the most, have come into vogue. The Dallas Fed has published papers showing that its version, which excludes the bottom 24% and top 31% of the PCE index, predicts inflation better than core does.

However, both of these methods have flaws. Changes in food and energy prices are not necessarily unusually large or short-lived. And trimmed means' weighting schemes are plagued by abrupt cliffs. In the Cleveland Fed's version, which lops off the top and bottom 8% of the index, an item in the 93rd percentile when sorted by price changes is removed entirely, whereas one in the 92nd gets its full weight.

With this in mind, we have devised an alternative inflation index. Like trimmed means, it adjusts items' weights based on their recent price changes. But its weights are shaped like a smooth hill rather than a box. Components with inflation near the median get the most emphasis, and those with the biggest price changes get the least.....

14. Which of the following best summarizes the article?

- (a) The article investigates the driving forces behind the recent inflation in the US
- (b) The article compares and tests two competing hypotheses that diagnose the natures of the recent inflation hike in the US
- (c) The article empirically tests the validity of the hypothesis that the recent inflation hike in the US has mainly been driven by just a few items
- (d) The article develops a model to predict future inflation trend in the US

15. Which of the following predictions about future inflation rate can be made from the author's test results?

- (a) The inflation rate is likely to fall
- (b) The inflation rate is likely to rise
- (c) The inflation rate is likely to remain stagnant
- (d) No solid prediction can be made for future inflation rate

16. Which of the following is true about the "trimmed means" method?

- (a) It is better than the "core" inflation index with food and energy being excluded
- (b) It has become more popular
- (c) It applies a larger weight to components near the median
- (d) It is the method used by the author to conduct the tests

===== end of test =====

試題隨卷繳回