

# ENTRY EXAM

Admission to full-time MA (MSc) programmes is based on the entrance examination:

- 1) Corporate Finance and Accounting –examination in financial issues or economics,
- 2) International Business – examination in economics or international economic relations

Examination topics for the candidates for second cycle full time studies at Cracow University of Economics:

## ECONOMICS

### **1. Introduction to the Methodology of Economics**

- 1.1. Normative and positive economics
- 1.2. Methods of economic analysis. Micro- and macroeconomic models
- 1.3. Macroeconomics and microeconomics
- 1.4. Rationality in economics: economic choice (rational choice theory)
- 1.5. Needs, goods, utility and opportunity costs

### **2. The Market**

- 2.1. The nature of the market and types of markets
- 2.2. Determinants of demand and supply
- 2.3. Difference between demand and quantity demanded and supply and quantity supplied
- 2.4. Elasticities of demand and supply
- 2.5. Market equilibrium and equilibrium price (market clearing)

### **3. Theory of Consumer**

- 3.1. Factors limiting consumption - budget line and indifference curve
- 3.2. Consumer equilibrium
- 3.3. Factors which change the equilibrium of the consumer

### **4. Theory of Production**

- 4.1. Production and factors of production
- 4.2. Functions of production in short-run and long-run
- 4.3. Production possibility frontier (production transformation curve)
- 4.4. Diminishing returns and accelerating returns
- 4.5. Marginal and average productivity of production factors
- 4.6. Selection and substitution of production factors
- 4.7. Producer equilibrium

### **5. Theory of Costs**

- 5.1. Costs and their types
- 5.2. Costs and production output
- 5.3. Optimal method of production (costs and the choice of technique)
- 5.4. Short-run costs

- 5.5. Long-run costs
- 5.6. Marginal costs and average costs
- 5.7. Advantages and disadvantages of scale of production

**6. Market Structures and Models**

- 6.1. Perfect competition and pure monopoly – comparison
- 6.2. Monopolistic competition and oligopoly – comparison
- 6.3. Forms of oligopoly
- 6.4. Economic equilibrium in different market structures
- 6.5. Productive efficiency
- 6.6. Price policy (pricing) in different market structures

**7. Factor Markets (The Market of Factors of Production)**

- 7.1. Enterprise demand for labor
- 7.2. Individual supply of labor
- 7.3. Labour market and wages in perfect and imperfect competition
- 7.4. Types of wages and wage systems
- 7.5. Factor markets and income distribution (rentals, interest rates, asset prices)

**8. Major Components of National Income Accounting**

- 8.1. Gross domestic product and national income
- 8.2. Nominal and real GDP
- 8.3. Factors of national income growth and problems of its distribution
- 8.4. Measures of economic growth and development

**9. Modern Macroeconomics Theories**

- 9.1. Theory of J.M. Keynes
- 9.2. Neoclassical economics
- 9.3. Welfare state
- 9.4. Neoliberalism and its forms

**10. Money and Monetary Policy**

- 10.1. Money and its functions
- 10.2. Financial institutions
- 10.3. Demand for money and money supply
- 10.4. Money market equilibrium
- 10.5. Interest rate and its determinants
- 10.6. Fixed and flexible exchange rates

**11. National Budget and Fiscal Policy**

- 11.1. National budget and aggregative demand
- 11.2. Nature and instruments of fiscal policy
- 11.3. Functions of fiscal policy
- 11.4. Budget deficit - ways of its financing and impact on a economy

**12. The IS-LM Model**

- 12.1. General equilibrium in closed economy
- 12.2. Effectiveness of fiscal and monetary policy in closed economy
- 12.3. The IS-LM model in open economy
- 12.4. Effectiveness of fiscal and monetary policy in open economy
- 12.5. Balance of payments and balance of trade

**13. Labour Market and Unemployment**

- 13.1. Labour demand and labour supply as well as their determinants
- 13.2. Equilibrium on the labour market

- 13.3. Reasons and types of unemployment
- 13.4. Natural and real unemployment rate
- 13.5. Social and economic effects of unemployment

**14. Inflation**

- 14.1. Reasons and types of inflation
- 14.2. Inflation measures
- 14.3. Inflation and unemployment – Phillips curve
- 14.4. Costs of inflation and ways of its reducing

**15. Economic cycles in Market Economy**

- 15.1. Business cycle and economic growth
- 15.2. Theories of economic cycles and business fluctuations
- 15.3. Methods of the state effects on the business cycle course
- 15.4. Crisis experiences in global economy in the recent period

**References:**

- D. Begg, S. Fischer, R. Dornbusch, Economics (microeconomics and macroeconomics), McGraw-Hill International Limited, 2009.
- P.A. Samuelson, W.D. Nordhaus, Economics, 19th edition, McGraw Hill, New York 2010.

## **FINANCE**

**1. General finance concepts**

- 1.1. Definition of finance
- 1.2. General areas of finance
- 1.3. The nature of financial decisions
- 1.4. The importance and evolution of modern finance

**2. Financial system**

- 2.1. The meaning and functions of the financial system
- 2.2. The structure of the financial system
- 2.3. Financial intermediaries (types, roles)
- 2.4. Financial crisis

**3. Financial markets**

- 3.1. Definition and importance of financial markets
- 3.2. Types of financial markets
- 3.3. Financial markets rates
- 3.4. Money markets vs capital markets
- 3.5. Stock exchanges

**4. Financial instruments**

- 4.1. The nature of financial instruments
- 4.2. Debt instruments
- 4.3. Equity
- 4.4. Hybrid securities
- 4.5. Derivatives

4.6. Basic valuation models

## **5. Risk and financial decisions**

- 5.1. Major types of risk in finance
- 5.2. Risk management
- 5.3. Portfolio theory
- 5.4. Capital market equilibrium and CAPM

## **6. The banking system in market economy**

- 6.1. Characteristics of the two-tier banking system
- 6.2. Creating money through monetary system
- 6.3. Safety net in the banking system

## **7. Central bank and monetary policy**

- 7.1. Central banks functions
- 7.2. Monetary policy objectives and instruments
- 7.3. Monetary policy in EU
- 7.4. European Central Bank and the Economic and Monetary Union

## **8. Commercial banks**

- 8.1. Commercial banks as financial intermediaries
- 8.2. Types of bank
- 8.3. Bank's balance sheet
- 8.4. Prudential regulations in banking

## **9. Analysis of investments projects**

- 9.1. The nature of project analysis
- 9.2. Capital budgeting (cash flows estimation and evaluation techniques)
- 9.3. Cost of capital

## **10. Capital Structure and Dividend Policy**

- 10.1. Financial structure of the firm
- 10.2. Capital structure theory
- 10.3. Dividend policy

## **11. Financial analysis**

- 11.1.** Financial statements
- 11.2. Financial ratio analysis
- 11.3. Financial leverage

## **12. Public finance**

- 12.1. Principles and functions of the public finance
- 12.2. Public revenues and expenditures
- 12.3. Public sector deficit and debt
- 12.4. Tax theory, taxation principles and taxation system in the European Union

## **13. 2007-09 Financial crisis**

- 13.1.** Causes and consequences of the financial crisis
- 13.2.** The impact of the financial crisis on the public finance condition

## **References:**

1. Z.Bodie, R.C.Merton, D.L.Cleeton, *Financial Economics*, 2<sup>nd</sup> ed. Pearson Education International, 2009.
2. S.Besley, E.F.Brigham, *Principles of Finance*, 4<sup>th</sup> ed. Cengage Learning, 2009.
3. S.Valdez, P.Molyneux, *An introduction to global financial markets*, 6<sup>th</sup> ed., Palgrave Macmillan, 2010.
4. R.A.Brealey, S.C.Myers, F.Allen, *Principles of Corporate Finance*, 9<sup>th</sup> ed., McGraw Hill, 2008.
5. H.S.Rosen, T.Gayer, *Public Finance*, 9<sup>th</sup> ed., McGraw-Hill, 2010.
6. [www.ecb.int](http://www.ecb.int)

# **INTERNATIONAL ECONOMICS**

## **1. Theory of International Trade**

- 1.1. Gravity theory
- 1.2. Comparative advantage (Ricardian) theory
- 1.3. Factor proportion (Heckscher-Ohlin) theory
- 1.4. Standard (neoclassical) model of international trade
- 1.5. Interrelations between international trade and economic growth

## **2. International Trade Policy**

- 2.1. Instruments of trade Policy
- 2.2. Welfare analysis of tariffs and subsidies
- 2.3. Arguments for and against free trade
- 2.4. GATT and the WTO
- 2.5. Controversies in trade policy

## **3. Balance of Payments (BoP) and National Income and Product Accounts (NIPA) in an Open Economy**

- 3.1. Definition and structure of the balance of payments
- 3.2. Main types of transactions registered in the BoP
- 3.3. Balance of payments equilibrium
- 3.4. Subaccounts of the BoP and different categories of NIPA

## **4. International Movements of Factors of Production**

- 4.1. Migrations
- 4.2. Capital flows
- 4.3. Role of international corporations

## **5. Economics of Exchange Rates**

- 5.1. Definition and role of exchange rates
- 5.2. Factors determining exchange rates
- 5.3. Purchasing power parity
- 5.4. Interest rate parity

## **6. Exchange Rates and Output in the Short-Run**

- 6.1. Exchange rate as a determinant of aggregated demand – equilibrium on the goods’ market
- 6.2. Equilibrium on assets’ market
- 6.3. Equilibrium values of output and exchange rates
- 7. Exchange Rate Regimes and International Monetary System**
  - 7.1. Fixed and floating exchange rate regimes
  - 7.2. Bretton Woods system
  - 7.3. International coordination under floating exchange rates
- 8. Preferential trade agreements and international economic integration**
  - 8.1. Economic analysis of preferential trade arrangements
  - 8.2. Economic integration in Europe and its global challenges
- 9. Monetary Integration and Optimum Currency Area Theory**
  - 8.1. Optimum currency area theory
  - 8.2. Monetary integration in Europe
- 10. International Financial Crises**
  - 9.1. Balance of payments’ crises
  - 9.2. Currency crises
  - 9.3. Examples: Latin American debt crisis, East-Asia crisis
- 11. Global Financial and Economic Crisis 2007+**
  - 10.1. Global imbalances in early 2000s
  - 10.2. Tensions in the financial system
  - 10.3. Subprime bubble in the United States
  - 10.4. Outbreak of the crisis and the collapse of Lehman Brothers
  - 10.5. Global recession and recovery
  - 10.6. Economic policy in times of crisis

**References:**

- Krugman, P., Obstfeld, M., Melitz M., (2012). *International Economics, 9th edition*. Pearson Education
- Husted, S., Melvin, M., (2010). *International Economics*. 8<sup>th</sup> edition. Pearson Education
- Brunnermeier, M.K., (2009). “Deciphering the Liquidity and Credit Crunch 2007–2008”, *Journal of Economic Perspectives*—Volume 23, Number 1— Winter 2009—Pages 77–100, available at [http://scholar.princeton.edu/markus/files/liquidity\\_credit\\_crunch.pdf](http://scholar.princeton.edu/markus/files/liquidity_credit_crunch.pdf)