

Name _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) Consumption expenditures can be broken down into three categories: 1) _____
 A) luxury goods, normal goods and inferior goods.
 B) food, shelter and appliances.
 C) land, labor and capital.
 D) durable goods, nondurable goods and services.
- 2) Which of the following statements is correct? 2) _____
 A) Net exports are imports minus exports.
 B) The purchase of a new home is treated as investment.
 C) Investment represents household purchases of assets.
 D) Consumption is spending by firms and households on new capital.
- 3) The Bakery uses \$500 worth of wheat to make bread. 3) _____
 The Restaurant uses \$500 worth of wheat to make food and \$1,000 worth of baked goods.
 Consumers directly consume the remaining \$1,000 worth of baked goods.

	Wheat Farmer	Bakery	Restaurant	Lawyer's Office
Revenue	\$ 1,000.00	\$ 2,000.00	\$ 3,000.00	\$ 2,500.00
Intermediate good				
Wages	\$ 300.00	\$ 600.00	\$ 800.00	\$ 1,500.00
Interest	\$ 50.00	\$ 100.00	\$ 50.00	\$ 100.00
Taxes	\$ 50.00	\$ 50.00	\$ 40.00	\$ 400.00
Profits				
Value Added				

What is the value of intermediate goods used by the restaurant?

- A) \$500 B) \$1,000 C) \$1,500 D) \$0

	Units Purchased	Price per Unit in			
		1998	1999	2000	2001
Apples	10	\$1.50	\$1.80	\$2.00	\$2.10
Oranges	5	\$2.00	\$2.50	\$2.00	\$2.40
Milk	2	\$2.50	\$2.50	\$3.00	\$3.50

Table 6.10

- 4) Refer to Table 6.10. If 1999 is the base year, then the inflation rate (i.e., the growth rate of the price index) between 2000 and 2001 is: 4) _____
 A) about 9 percent. B) about 7 percent.
 C) about 11 percent. D) about 13 percent.
- 5) Refer to Table 6.10. If 1999 is the base year, the price index in 1998 is: 5) _____
 A) 96.7. B) 113.8. C) 84.5. D) 103.9.

- 6) Refer to Table 6.10. Suppose 1999 is the base year. The price index in 1999 is: 6) _____
 A) 1. B) 10. C) 100. D) 1,000.
- 7) Some costs associated with anticipated inflation are: 7) _____
 A) menu and shoe-leather costs. B) outsourcing and a larger trade deficit.
 C) opportunity and marginal costs. D) transaction and settlement costs.
- 8) The Bakery uses \$500 worth of wheat to make bread. 8) _____
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Profits				
Value Added				

- How big is GDP in this Economy?
 A) \$5000 B) \$5,500 C) \$6,000 D) \$6,500
- 9) Suppose your bank pays you 5% interest per year on your savings account while prices increase by 3% per year over that time. Approximately how much nominal value do you gain by keeping \$100 in the bank for a year? 9) _____
 A) \$5 B) \$0 C) \$2.00 D) \$2.50
- 10) A company produced 10 dishwasher machines in 2011. The company sold 8 in 2011 and added 2 to its inventories. The market value of the dishwasher machines in 2011 was \$200 per unit. What is the value of this company's output that will be included in the 2011 GDP? 10) _____
 A) \$400 B) \$1,800 C) \$2,000 D) \$1,600
- 11) GDP is not a perfect measure of social welfare and the society's economic well-being because: 11) _____
 A) it does not include all economic activities in the economy.
 B) it does not say anything about the distribution of income.
 C) GDP accounting rules do not adjust for production that causes negative spillovers.
 D) all of the above.
- 12) Janie graduated from college a month ago and is now without work. She accepted a job that will start next month. Today, Janie is: 12) _____
 A) in the labor force. B) employed.
 C) a discouraged worker. D) not in the labor force.
- 13) A person who is currently actively looking for a job, but has not found a job is classified by the BLS as: 13) _____
 A) employed. B) unemployed.
 C) under 16. D) not in the labor force.

- 14) Which of the following is a transfer payment and is not counted as part of government purchases? 14) _____
 A) government worker salaries B) government spending on federal prisons
 C) defense spending D) government welfare payments
- 15) When we calculate the percent change in the real GDP between 2008 and 2009, we: 15) _____
 A) subtract 2008 real GDP from 2009 real GDP.
 B) take the average of 2008 and 2009 real GDP.
 C) subtract 2008 real GDP from 2009 real GDP, and express the difference as a proportion of 2008 real GDP.
 D) divide 2008 real GDP with 2009 real GDP.

Employed	11,000 people
Unemployed	2,500 people
Not in the Labor Force	3,000 people

Table 6.1

- 16) Refer to Table 6.1. The unemployment rate is: 16) _____
 A) 9.09%. B) 15.2%. C) 18.5%. D) 22.7%.
- 17) Which of the following is not a factor of production? 17) _____
 A) physical capital B) money C) human capital D) labor
- 18) Gross domestic product measures: 18) _____
 A) the total income earned from current production of final goods and services in the country.
 B) the total spending on currently-produced final goods and services in the country.
 C) the total market value of all currently-produced final output in the country.
 D) all of the above.
- 19) The equation for GDP using the expenditure approach is: 19) _____
 A) $GDP = Consumption + Investment + Government Purchases - Imports - Exports.$
 B) $GDP = Consumption + Investment + Government Purchases + Imports + Exports.$
 C) $GDP = Consumption + Investment + Government Purchases + Imports - Exports.$
 D) $GDP = Consumption + Investment + Government Purchases + Exports - Imports.$

	Coconuts/hour	Fish/hour
Rose	6	2
Sharon	3	4

Table 3.2

- 20) Consider two individuals, Rose and Sharon, who produce fish and coconuts. Rose and Sharon's hourly productivity are shown in Table 3.2. Which of the following is true? 20) _____
 A) Sharon has an absolute advantage in producing fish but not coconuts.
 B) Sharon has an absolute advantage in producing coconuts but not fish.
 C) Sharon has an absolute advantage in producing both goods.
 D) Sharon does not have an absolute advantage in producing either good.

- 21) Consumer expenditures on household appliances represent which of the following components of Consumption Expenditures? 21) _____
 A) services B) durable goods
 C) nondurable goods D) inventory investment
- 22) _____ is commonly defined as six consecutive months of declining real GDP. 22) _____
 A) An expansion B) A peak C) A recession D) A trough
- 23) A person who is currently actively looking for a job, but has a job that pays for 5 hours a week only is classified by the BLS as: 23) _____
 A) employed. B) unemployed.
 C) not in the labor force. D) under 16.
- 24) Consider the following economy (Treat 2015 as the base year): 24) _____
- | year | quantity: computers | quantity: bread | price: computers | price: bread |
|------|---------------------|-----------------|------------------|--------------|
| 2015 | 100 | 500 | \$ 1,000.00 | \$ 20.00 |
| 2016 | 110 | 600 | \$ 1,100.00 | \$ 25.00 |
- The growth rate of real GDP is _____
 A) 24% B) 20% C) 11% D) 12%
- 25) Consider the following economy (Treat 2015 as the base year): 25) _____
- | year | quantity: computers | quantity: bread | price: computers | price: bread |
|------|---------------------|-----------------|------------------|--------------|
| 2015 | 100 | 500 | \$ 1,000.00 | \$ 20.00 |
| 2016 | 110 | 600 | \$ 1,100.00 | \$ 25.00 |
- What is real GDP in 2016?
 A) \$110,000 B) \$136,000 C) \$132,000 D) \$122,000
- 26) Consider the following economy (Treat 2015 as the base year): 26) _____
- | year | quantity: computers | quantity: bread | price: computers | price: bread |
|------|---------------------|-----------------|------------------|--------------|
| 2015 | 100 | 500 | \$ 1,000.00 | \$ 20.00 |
| 2016 | 110 | 600 | \$ 1,100.00 | \$ 25.00 |
- What is nominal GDP in 2016?
 A) \$136,000 B) \$122,000 C) \$110,000 D) \$140,000
- 27) If a farmer buys a new tractor from John Deere for use on her cotton farm, it is included in GDP as: 27) _____
 A) a durable consumption good. B) a nondurable consumption good.
 C) part of private investment. D) a service.
- 28) Suppose your bank pays you 6% interest per year on your savings account. If prices increase by 3% per year over that time, approximately how much nominal value do you gain by keeping \$100 in the bank for a year? 28) _____
 A) \$3 B) \$6 C) \$0 D) \$106
- 29) If the labor force is 250,000 and the total population 16 years of age or older is 300,000, the labor-force participation rate is: 29) _____
 A) 83.3%. B) 45.4%. C) 79.5%. D) 80.9%.

30) When the market does not produce the most efficient outcomes, it is known as: 30) _____
A) capitalism. B) market failure. C) fraud. D) corruption.

31) Consider the following economy (Treat 2015 as the base year): 31) _____

year	quantity: computers	quantity: bread	price: computers	price: bread
2015	100	500	\$ 1,000.00	\$ 20.00
2016	110	600	\$ 1,100.00	\$ 25.00

What is the GDP deflator?
A) 1.115 B) 1.236 C) 1.109 D) 1.205

Answer Key

Testname: 2016-FALL-HYBRID-MT1

- 1) D
- 2) B
- 3) C
- 4) C
- 5) C
- 6) C
- 7) A
- 8) D
- 9) A
- 10) C
- 11) D
- 12) A
- 13) B
- 14) D
- 15) C
- 16) C
- 17) B
- 18) D
- 19) D
- 20) A
- 21) B
- 22) C
- 23) A
- 24) C
- 25) D
- 26) A
- 27) C
- 28) B
- 29) A
- 30) B
- 31) A