

TEST I

Name: _____

R: _____

ID: _____

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

- 1) Gross domestic product measured in terms of the prices of a fixed, or base, year is _____
 A) nominal GDP. B) real GDP. C) base GDP. D) current GDP.
- 2) Net investment is _____
 A) gross investment minus depreciation. B) GNP minus final sales.
 C) gross investment plus depreciation. D) depreciation minus gross investment.

Refer to the information provided in Table 7.2 below to answer the questions that follow.

Labor force participation rate	75%
Total population 16 years of age and older	200 million
Unemployment rate	10%

- 3) Refer to Table 7.2. The total number of people employed is _____
 A) 180 million. B) 153 million. C) 135 million. D) 117 million.
- 4) Refer to Table 7.2. The total number of people unemployed is _____
 A) 13 million. B) 15 million. C) 17 million. D) 20 million.

Refer to the information provided in Table 7.1 below to answer the questions that follow.

Employed	14,000 people
Unemployed	3,000 people
Not in the Labor Force	4,000 people

- 5) Refer to Table 7.1. The labor-force participation rate is _____
 A) 66.7%. B) 75.0%. C) 77.8%. D) 80.9%.
- 6) Refer to Table 7.1. The labor force equals _____
 A) 14,000 people. B) 17,000 people. C) 18,000 people. D) 21,000 people.
- 7) Inflation is a(n) _____
 A) decrease in the overall price level.
 B) increase in the overall level of economic activity.
 C) increase in the overall price level.
 D) decrease in the overall level of economic activity.

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 8) Since 1970, the U.S. economy has experienced 2 recessions. _____

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

- 9) Deflation occurs when 9) _____
 A) the average price level declines. B) the unemployment rate declines.
 C) the economic growth rate declines. D) economic activity declines.
- 10) Between a peak and a trough, the economy goes through a(n) 10) _____
 A) recession. B) inflation. C) expansion. D) boom.
- 11) Dividends are 11) _____
 A) government profits distributed among bondholders.
 B) capital gains realized by stockholders.
 C) corporate profits distributed among shareholders.
 D) promissory notes issued by corporations.
- 12) Income Mexican citizens earn in the U.S. counts in 12) _____
 A) Mexican GDP. B) Mexican GNP.
 C) U.S. GNP. D) both U.S. and Mexican GDP.
- 13) Government policies regarding taxes and expenditures are called 13) _____
 A) fiscal policy. B) income policies.
 C) monetary policy. D) supply-side policy.

Refer to the information provided in Table 6.5 below to answer the questions that follow.

Table 6.5

	Production			Prices		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
Good X	60	80	100	\$1.00	\$1.00	\$1.40
Good Y	100	110	130	\$0.80	\$0.90	\$1.00

- 14) Refer to Table 6.5. Assume that this economy produces only two goods Good X and Good Y. If year 1 is the base year, the value for this economy's real GDP in year 2 is 14) _____
 A) \$168. B) \$179. C) \$202. D) \$214.
- 15) Refer to Table 6.5. Assume that this economy produces only two goods Good X and Good Y. The value for this economy's nominal GDP in year 1 is 15) _____
 A) \$140. B) \$160. C) \$180. D) \$200.
- 16) An example of a transfer payment is 16) _____
 A) the added value of stock from the time it was bought to the time it was sold.
 B) an interest payment on a General Motors' bond.
 C) a Social Security retirement benefit.
 D) the salary paid to a member of the armed forces.

Refer to the information provided in Table 6.1 below to answer the questions that follow.

	\$Billions
Durable goods	800
Nonresidential investment	400
Federal purchases of goods	300
Exports	400
State and local purchases of goods	200
Residential investment	50
Services	500
Imports	250
Change in business inventories	-25
Nondurable goods	700

- 17) Refer to Table 6.1. The value of government spending in billions of dollars is 17) _____
 A) 100. B) 200. C) 300. D) 500.
- 18) Refer to Table 6.1. Personal consumption expenditures in billions of dollars are 18) _____
 A) 1,000. B) 1,300. C) 1,500. D) 2,000.
- 19) Refer to Table 6.1. The value of gross domestic product in billions of dollars is 19) _____
 A) 3,000. B) 3,075. C) 3,125. D) 3,750.
- 20) Refer to Table 6.1. The value for net exports in billions of dollars is 20) _____
 A) 150. B) 250. C) 650. D) 800.
- 21) If personal income is \$925 billion and personal income taxes are \$70 billion, the value of disposable 21) _____
 personal income is
 A) \$835 billion. B) \$855 billion. C) \$890 billion. D) \$995 billion.
- 22) Which of the following is NOT a topic studied in Macroeconomics? 22) _____
 A) the unemployment rate B) gross domestic product
 C) the price of Dell computers D) the inflation rate
- 23) The equation for GDP using the expenditure approach is 23) _____
 A) $GDP = C + I + G + (IM - EX)$. B) $GDP = C + I + G - EX - IM$.
 C) $GDP = C + I + G + EX + IM$. D) $GDP = C + I + G + EX - IM$.
- 24) During recessions, the number of discouraged workers _____ and this _____ the 24) _____
 unemployment rate.
 A) increases; reduces B) falls; reduces
 C) increases; increases D) decreases; increases
- 25) If the labor force is 500 and employment is 450, then the unemployment rate is 25) _____
 A) 100%. B) 90%. C) 10%. D) 0%.
- 26) The value of what KFC produces in Japan is included in the U.S. _____ and in the Japanese 26) _____
 _____.
 A) GDP; GNP B) GNP; GNP C) GNP; GDP D) GDP; GDP

- 27) In the circular flow diagram, the different payments made by firms to households include 27) _____
A) transfer payments and dividends. B) wages and profits.
C) taxes and transfer payments. D) interest and taxes.
- 28) The total market value of all final goods and services produced within a given period by factors of 28) _____
production located within a country is
A) net national product. B) gross national product.
C) gross domestic product. D) net national income.
- 29) The _____ can change the quantity of money in the economy. 29) _____
A) Treasury Department B) Congress
C) Office of the Comptroller of the Currency D) Federal Reserve
- 30) The term *business cycle* refers to the 30) _____
A) long-term trends in the level of economic activity.
B) short-term ups and downs in the level of economic activity.
C) long-term trends in the price level.
D) short-term ups and downs in the price level.

Answer Key

Testname: TEST 1.TST(VERSION 1)

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