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	FINALTERM EXAMINATION SPRING 2008 ECO403 - MACROECONOMICS (Session - 4)	Marks: 60 Time: 150min

For Teacher's use only											
Question	1	2	3	4	5	6	7	8	9	10	Total
Marks											
Question	11	12	13	14	15	16	17	18	19	20	
Marks											
Question	21	22	23	24	25	26	27	28	29	30	
Marks											

Question No: 1 (Marks: 1) - Please choose one

Scarcity can best be defined as a situation in which:

- There are no buyers willing to purchase what sellers have produced.
- There is more than enough money to satisfy consumers' wants.

- ▶ Resources are limited in quantity and can be used in different ways.
- ▶ There are not enough goods to satisfy all of the buyers' demand.

Question No: 2 (Marks: 1) - Please choose one

In the circular flow diagram, firms _____ inputs and households _____ products.

- ▶ Supply; Demand
- ▶ Demand; supply
- ▶ Supply; supply
- ▶ Demand ; demand

Question No: 3 (Marks: 1) - Please choose one

Gross domestic product measured in terms of the prices of a fixed, or base, year is:

- ▶ Base GDP.
- ▶ Current GDP.
- ▶ Real GDP.
- ▶ Nominal GDP.

Question No: 4 (Marks: 1) - Please choose one

The number of people unemployed equals:

- ▶ The number of people employed minus the labor force.
- ▶ The labor force plus the number of people employed.

- The number of people employed divided by the labor force.
- The labor force minus the number of people employed.

Question No: 5 (Marks: 1) - Please choose one

Keeping in mind the functions of money, which one of the following is money?

- Currency
- Check
- Credit cards
- Time deposits

Question No: 6 (Marks: 1) - Please choose one

Which of the following would not be included in M2?

- Demand deposits
- Checking accounts
- Money market accounts
- None of the given options

Question No: 7 (Marks: 1) - Please choose one

The relationship between consumer spending and income is known as the:

- 45-degree line.
- Consumption function.
- Investment function.

- Consumer price index.

Question No: 8 (Marks: 1) - Please choose one

All of the following statements about the marginal product of capital MPK are true EXCEPT:

- MPK = f(k + 1) - f(k). confusing
- MPK tends to decline as k increases.
- When there is only a little capital, MPK is very small.
- MPK is equal to the slope of the production function y = f (k).

Question No: 9 (Marks: 1) - Please choose one

A rightward shift in the aggregate demand curve can be caused by:

- An increase in government spending.
- An increase in money supply.
- A decrease in taxes.
- All of the given options.

Question No: 10 (Marks: 1) - Please choose one

The aggregate supply curve in the short run is different from the aggregate supply curve in the long run due to:

- The recurring nature of supply shocks.
- The existence of sticky prices in the short run.
- The wealth effect.
- The crowding out effect.

Question No: 11 (Marks: 1) - Please choose one

Fiscal policy shifts the:

- The short run aggregate supply curve. confusing
- The long run aggregate supply curve.
- Full employment level of output.
- The aggregate demand curve.

Question No: 12 (Marks: 1) - Please choose one

If wages are sticky downward, an increase in labor:

- Demand increases the wage rate.
- Demand decreases the wage rate.
- Supply increases the wage rate.
- None of the given options.

Question No: 13 (Marks: 1) - Please choose one

Which of the following would a macroeconomist consider as investment?

- Julie buys a government bond.
- Fred purchases 100 shares of stock in Microsoft.
- Tom buys a new tractor for his farm. confusing
- Jane buys a new car.

Question No: 14 (Marks: 1) - Please choose one

The nominal interest rate is:

- ▶ Unadjusted for the effects of inflation.
- ▶ The interest rate quoted in financial markets.
- ▶ Both unadjusted for the effects of inflation and the interest rate quoted in financial markets.
- ▶ None of the given options.

Question No: 15 (Marks: 1) - Please choose one

If interest rates increase, people will most likely hold:

- ▶ More bonds and less cash.
- ▶ Less bonds and less cash.
- ▶ More bonds and more cash.
- ▶ Less bonds and more cash. confusing

Question No: 16 (Marks: 1) - Please choose one

Intermediate goods are counted in the calculation of GDP.

- ▶ True
- ▶ False

Question No: 17 (Marks: 1) - Please choose one

Structural unemployment is the unemployment resulting from real wage rigidity and job rationing.

- ▶ True

▶ False

Question No: 18 (Marks: 1) - Please choose one

As income rises, average propensity to consume (APC) falls.

▶ True

▶ False

Question No: 19 (Marks: 1) - Please choose one

Adaptive expectation is an approach that assumes that people base their expectations on all available information, including information about current and prospective future policies.

▶ True

▶ False

Question No: 20 (Marks: 1) - Please choose one

The deposits that banks have received but have not lent out are called banks investments.

▶ True

▶ False

Question No: 21 (Marks: 1)

To compute the total value of different goods and services, the national income accounts use **market prices** .

Question No: 22 (Marks: 1)

Monetary policy is conducted by country's **central bank** .

Question No: 23 (Marks: 1)

LM curve is a graph of all combinations of interest rate and

income that results in goods market equilibrium.

Question No: 24 (Marks: 1)

Full-employment output does not depend on the price level, so the long run aggregate supply (LRAS) curve is **vertical**.

Question No: 25 (Marks: 1)

Economists decompose the impact of an increase in the real interest rate on consumption into two effects: an income effect and a **substitution effect**.

Question No: 26 (Marks: 5)

Define hyperinflation. What causes hyperinflation? Also explain briefly why government creates hyperinflation.

Question No: 27 (Marks: 5)

What are the advantages of floating exchange rates and fixed exchange rates?

Question No: 28 (Marks: 5)

Define budget deficit and government debt. Also write down the major components of government debt.

Question No: 29 (Marks: 10)

Discuss the policies to promote economic growth.

Question No: 30 (Marks: 10)

Explain Milton Friedman's permanent income hypothesis.

Syed surwaan Husain 22 hours ago
ActivityRank: 0

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post comments
Q1)Three models of aggregate supply (1)sticky wage model (2)imperfect informational model (3)sticky price model page#107
Q2) Phillip curve specially graph practice page #214
Q3) Ricardian view of Govt. debt page #229
Q4) Keynes and the consumption function page #231
Q5 Irving fisher and intertemporal choices page #235
Q6 Consumer Budget contraints page #235
Q7 Why do japanies consmer so less or save so much page # 246
Q8 franceo modiglini & and lige cycle hypothesis 248
Q9 Milton friedman & parmanent income 248
Q10 Robert Hall and random walk
Q11 Tobin q
Q12 model of money supply
Q13 policies to promote saving rate

Q14 fractional reserve banking
Q15 policies to encourage tech progress
Q16 Hysterisis

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Q.1 Keynesian consumption three conjectures about consumption ? 3 Marks
Q.2 Tobin's q and neoclassical school model theory are closely related to investment ?3
Q.3 Tradiol view of government debts stats that people are myopic "comment about this statement" ?5 makrs
Q.4 Mendel – Fleming model for equilibrium condition? 5 marks
Q.5 Stats capital demand and Capital supply with the help of diagram. ?5 Marks

Mostly questions and mcqs' were from Last chapter

1. Which of the following equations is correct?

A. Real exchange rate = (exchange rate + domestic price level) / foreign price level
B. Exchange rate = (real exchange rate × domestic price level) / foreign price level
C. Real exchange rate = (nominal exchange rate × domestic price level) × foreign price level
D. Real exchange rate = (nominal exchange rate × domestic price level) / foreign price level

2. The difference between exports and imports in determining the GDP is known as the:

a) Net exports
b) Import tariffs.
c) Net imports.
d) Net income

3. Unemployment that naturally occurs during the normal workings of an economy as people change jobs and move across the country is called

A. Structural unemployment.
B. Frictional unemployment.
C. Natural unemployment.
D. Cyclical unemployment.

4. The demand for labor curve shows:

A. An inverse relationship between the real wage and the number of workers who are willing to work. That real wages are constant.
B. An inverse relationship between the real wage and the amount of labor hired. A positive relationship

5. Which of the following statements about net exports is correct?

A. The term C + I + G understate domestic production of goods and services because it leaves out exports, which must be subtracted out of GDP to obtain the correct figure.
B. The term C + I + G overstates domestic production of goods and services because it contains imports, which must be subtracted out of GDP to obtain the correct figure.
C. The difference between exports and imports is negative when the country is a net exporter. Before 1976,

6. Which of the following equations is correct?

A. Nominal interest rate = real interest rate – inflation
B. Real interest rate = nominal interest rate + inflation

C. Real interest rate = nominal interest rate × inflation
D. Real interest rate = nominal

7. If the U.S. real exchange rate increases, then U.S. ---------- will fall and U.S. ---------- will rise.

A. Imports; exports
B. Income; imports
C. Exports; income
D. Exports; imports

8. Which one of the following could explain a shift to the right of the supply curve for a good?
A. The imposition of a tax on the good
B. A new supplier entering the market
C. A rise in firms' wage costs
D. A rise in the price of the good

9. Which of the following is NOT included in M1?

A. Deposits in checking accounts
B. Deposits in checking accounts that pay interest
C. Currency held by the public
D. None of the given options

10. The circular flow is used to make the point that:
A. Households are both earners and spenders.
B. Production generates income.
C. Unemployment only occurs during a recession.
D. Rising prices never occur during times of unemployment

11. Currency held by the public is included in:

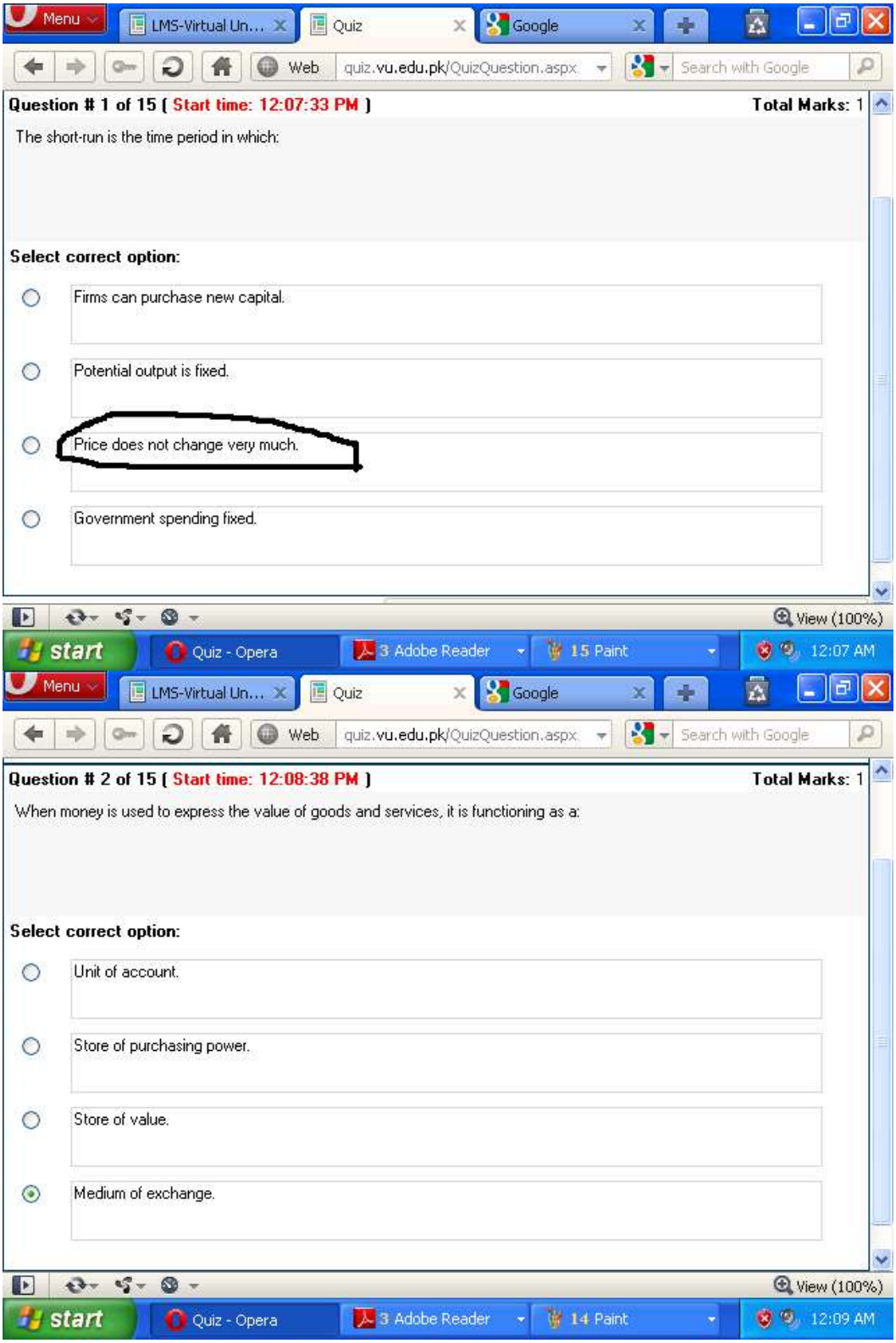
A. Neither M1 nor M2.
B. M2 only.
C. M1 only.
D. Both M1

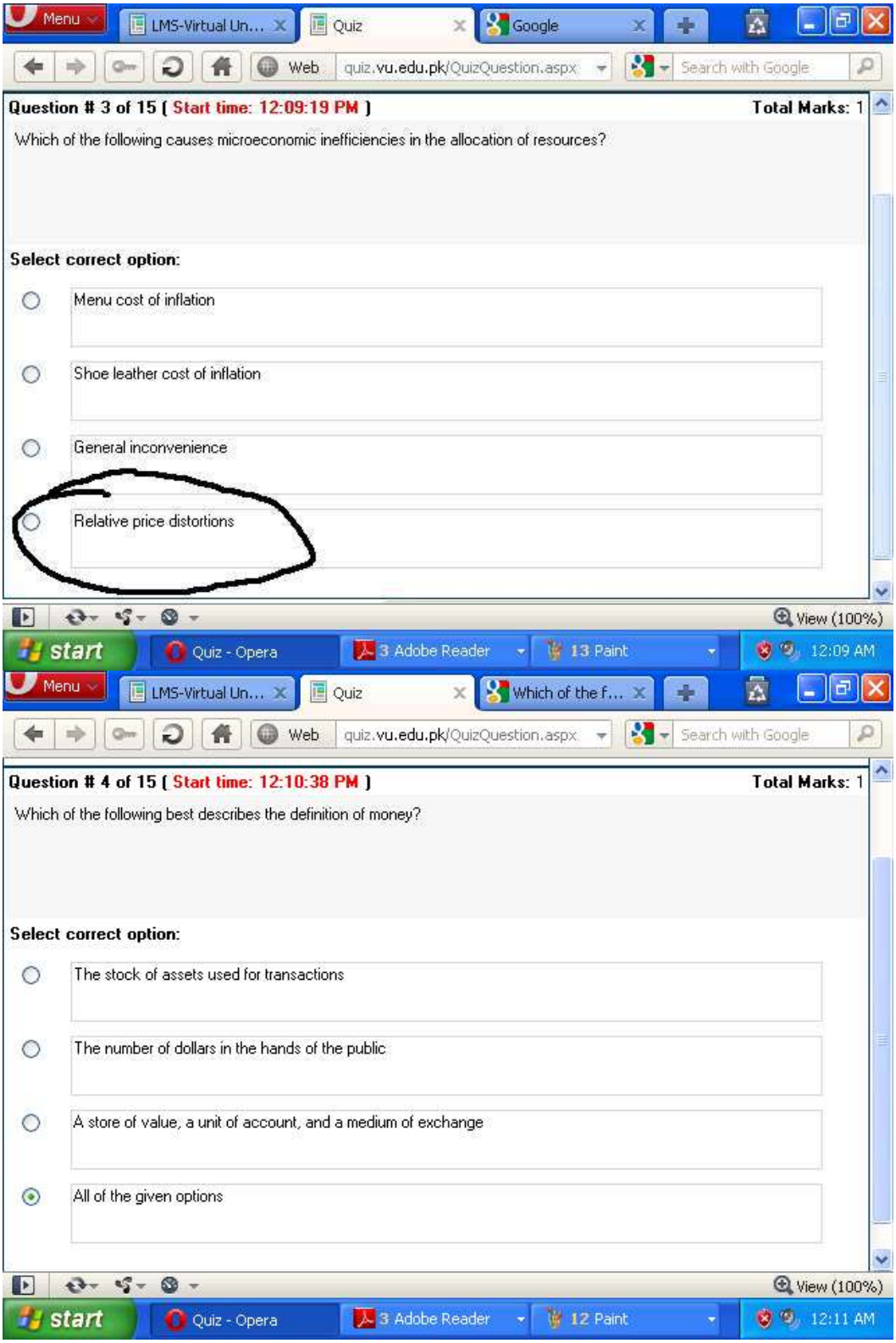
12. If Umar does not have a job and is not currently looking for work but has looked in the past, he is considered:

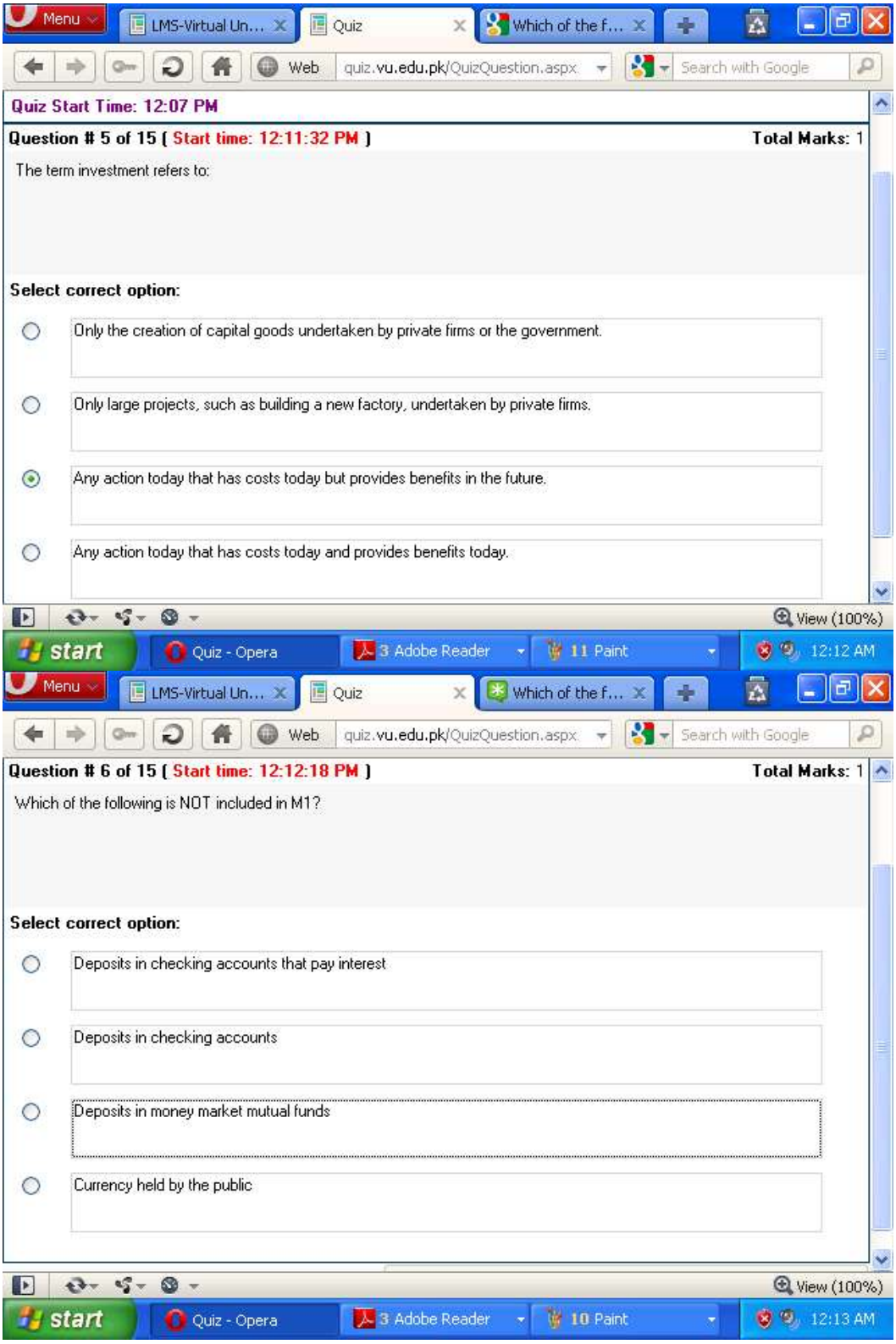
A. Not in the labor force.
B. Unemployed and in the labor force.
C. Unemployed.
D. Unemployed and not in the labor force.

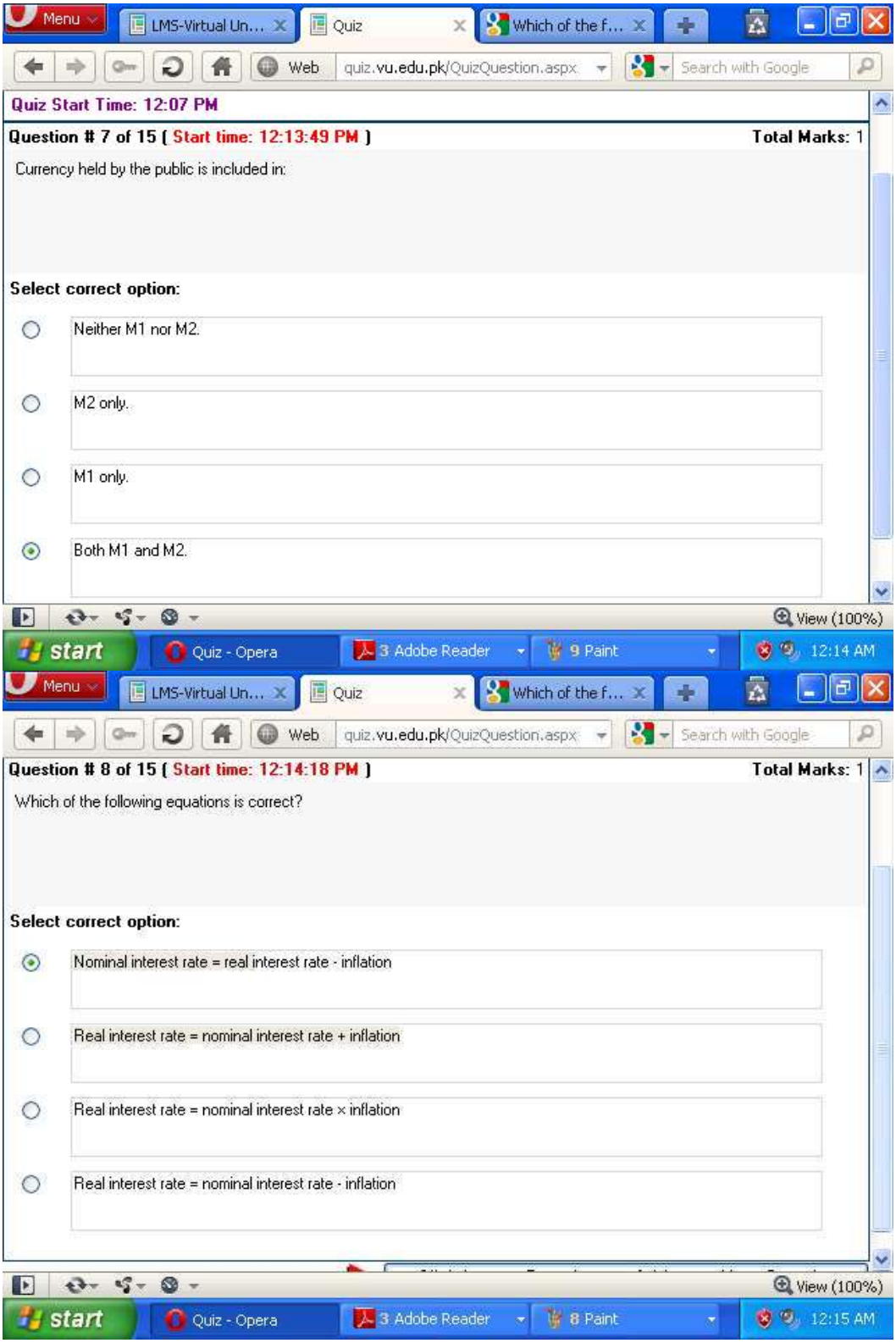
13. An asset that is included in M3 but not in M2 is:

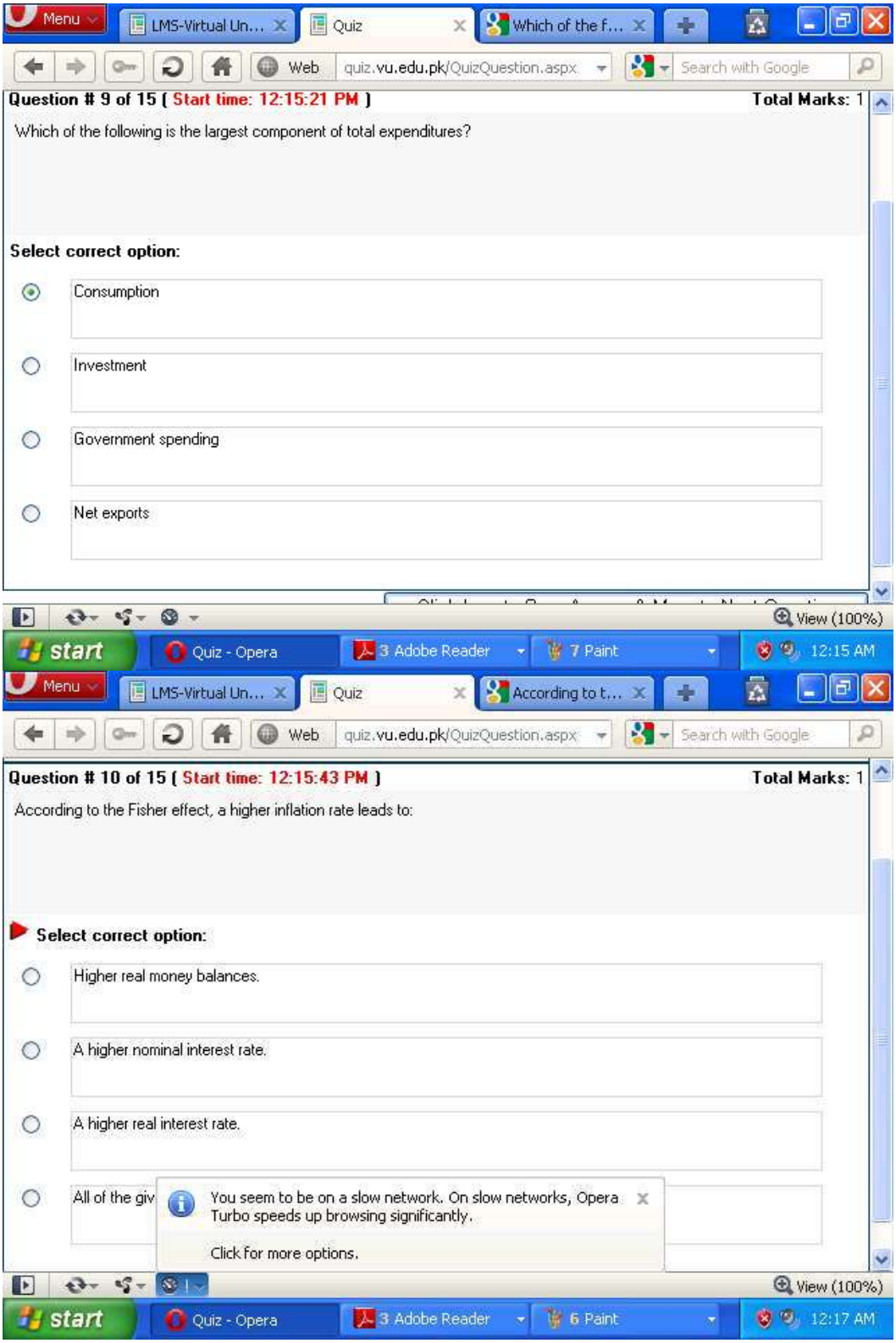
A. Currency.
B. Checkable deposits.
C. Small-denomination certificates of deposit.
D. Large-denomination

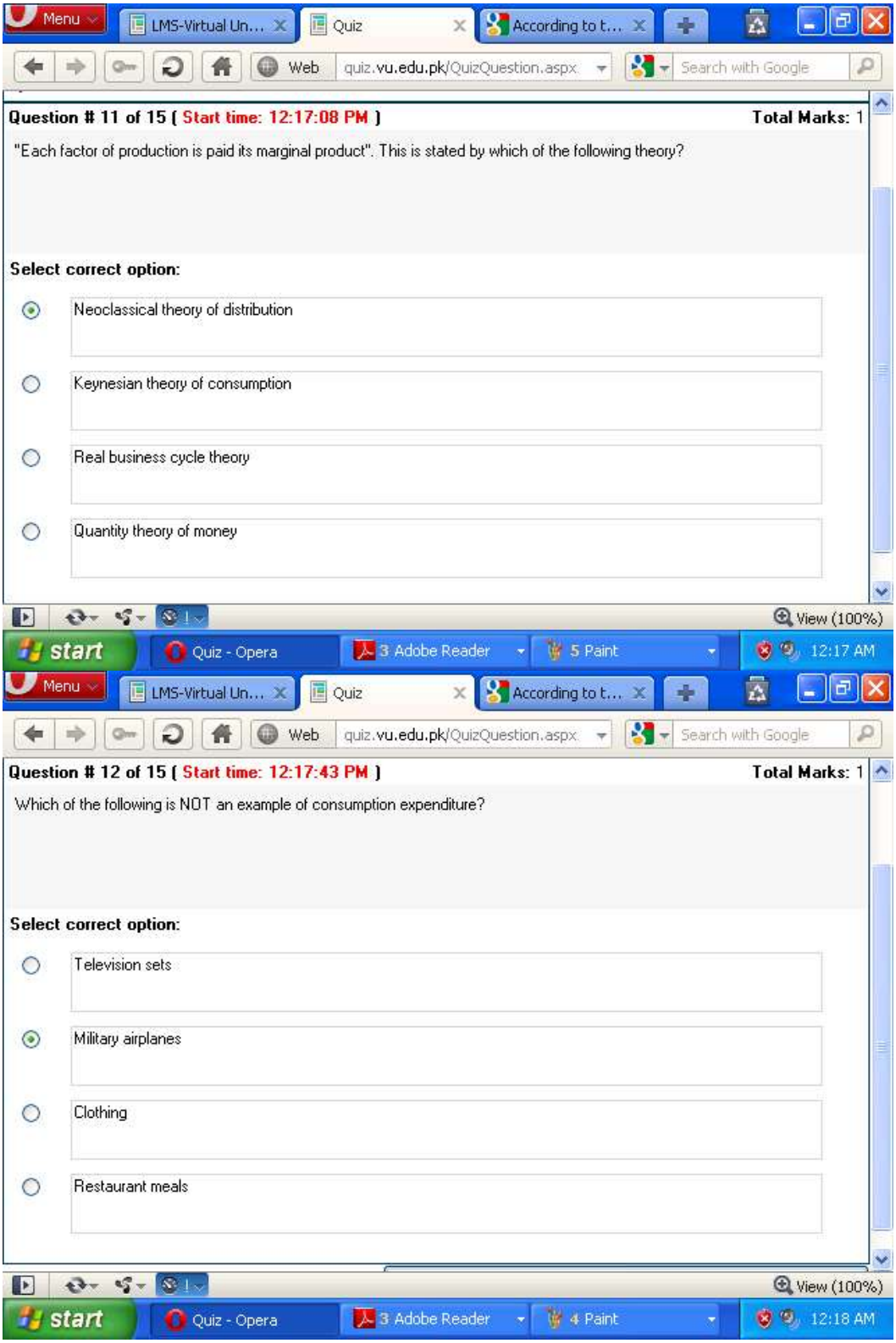

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Question # 1 of 15 (Start time: 12:07:33 PM)
Total Marks: 1
The short-run is the time period in which:
Select correct option:
Firms can purchase new capital.
Potential output is fixed.
Price does not change very much.
Government spending fixed.
View (100%)
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Quiz - Opera
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15 Paint
12:07 AM
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Question # 2 of 15 (Start time: 12:08:38 PM)
Total Marks: 1
When money is used to express the value of goods and services, it is functioning as a:
Select correct option:
Unit of account.
Store of purchasing power.
Store of value.
Medium of exchange.
View (100%)
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3 Adobe Reader
14 Paint
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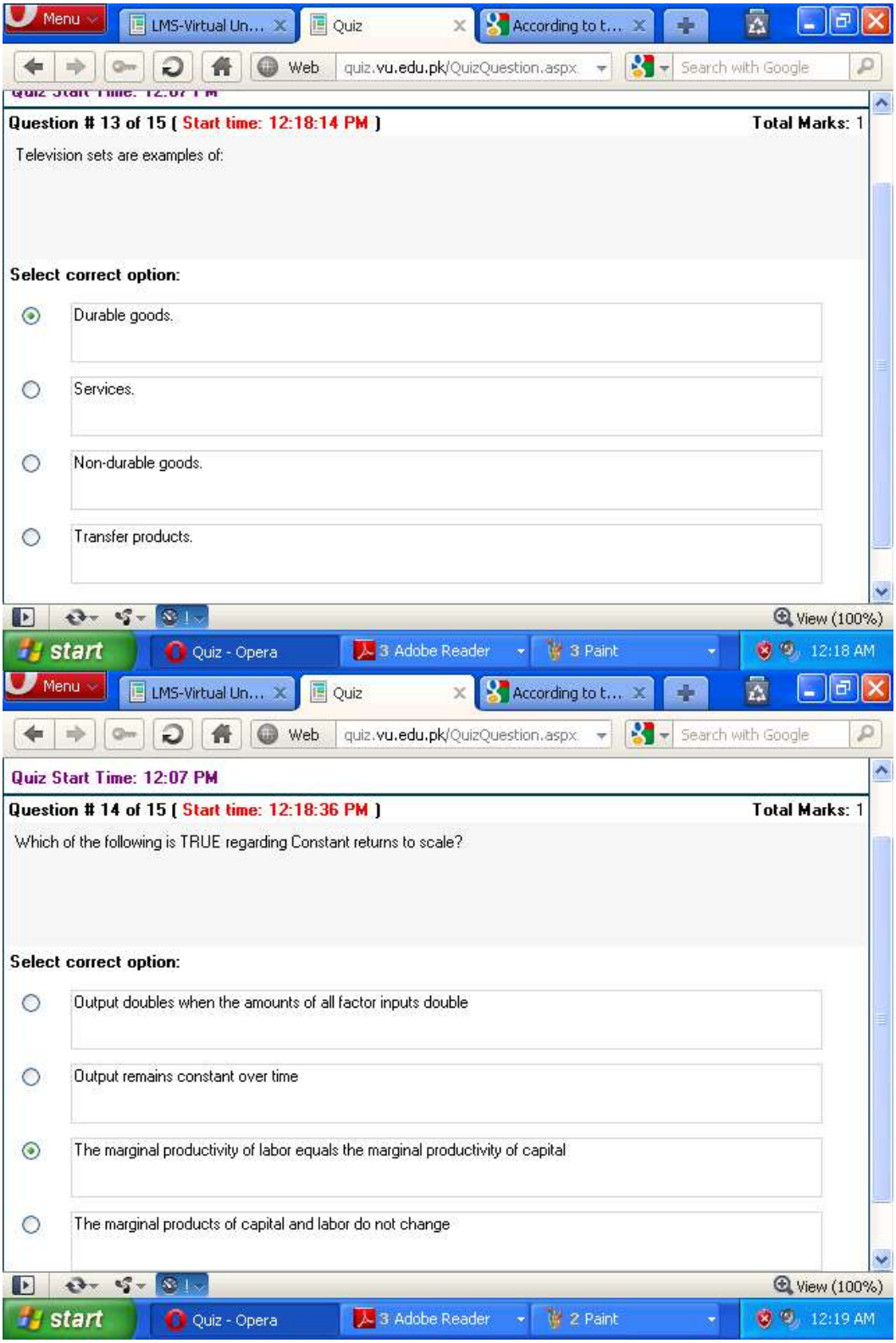

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Question # 3 of 15 (Start time: 12:09:19 PM)
Total Marks: 1
Which of the following causes microeconomic inefficiencies in the allocation of resources?
Select correct option:
Menu cost of inflation
Shoe leather cost of inflation
General inconvenience
Relative price distortions
View (100%)
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Question # 4 of 15 (Start time: 12:10:38 PM)
Total Marks: 1
Which of the following best describes the definition of money?
Select correct option:
The stock of assets used for transactions
The number of dollars in the hands of the public
A store of value, a unit of account, and a medium of exchange
All of the given options
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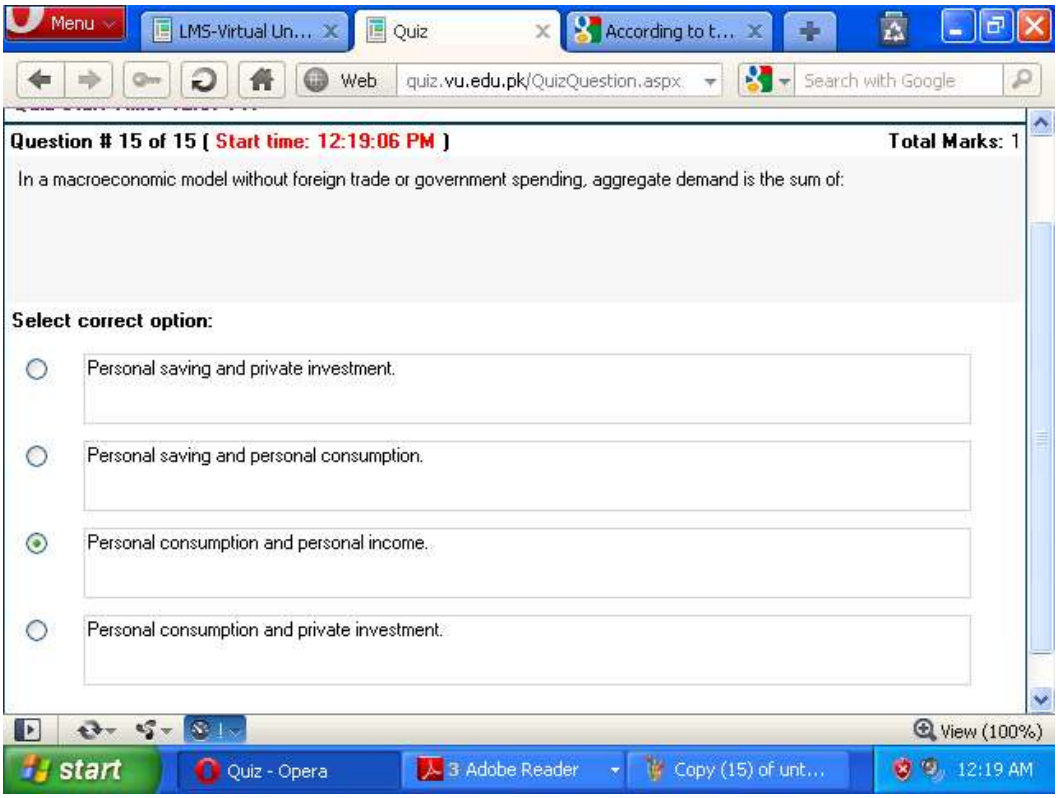

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Quiz Start Time: 12:07 PM
Question # 5 of 15 (Start time: 12:11:32 PM)
Total Marks: 1
The term investment refers to:
Select correct option:
Only the creation of capital goods undertaken by private firms or the government.
Only large projects, such as building a new factory, undertaken by private firms.
Any action today that has costs today but provides benefits in the future.
Any action today that has costs today and provides benefits today.
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Question # 6 of 15 (Start time: 12:12:18 PM)
Total Marks: 1
Which of the following is NOT included in M1?
Select correct option:
Deposits in checking accounts that pay interest
Deposits in checking accounts
Deposits in money market mutual funds
Currency held by the public
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Quiz Start Time: 12:07 PM
Question # 7 of 15 (Start time: 12:13:49 PM)
Total Marks: 1
Currency held by the public is included in:
Select correct option:
Neither M1 nor M2.
M2 only.
M1 only.
Both M1 and M2.
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Question # 8 of 15 (Start time: 12:14:18 PM)
Total Marks: 1
Which of the following equations is correct?
Select correct option:
Nominal interest rate = real interest rate - inflation
Real interest rate = nominal interest rate + inflation
Real interest rate = nominal interest rate × inflation
Real interest rate = nominal interest rate - inflation
View (100%)
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Question # 9 of 15 (Start time: 12:15:21 PM)
Total Marks: 1
Which of the following is the largest component of total expenditures?
Select correct option:
Consumption
Investment
Government spending
Net exports
View (100%)
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Question # 10 of 15 (Start time: 12:15:43 PM)
Total Marks: 1
According to the Fisher effect, a higher inflation rate leads to:
Select correct option:
Higher real money balances.
A higher nominal interest rate.
A higher real interest rate.
All of the giv
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Click for more options.
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Question # 11 of 15 (Start time: 12:17:08 PM)
Total Marks: 1
"Each factor of production is paid its marginal product". This is stated by which of the following theory?
Select correct option:
Neoclassical theory of distribution
Keynesian theory of consumption
Real business cycle theory
Quantity theory of money
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Question # 12 of 15 (Start time: 12:17:43 PM)
Total Marks: 1
Which of the following is NOT an example of consumption expenditure?
Select correct option:
Television sets
Military airplanes
Clothing
Restaurant meals
View (100%)
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4 Paint
12:18 AM


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Question # 13 of 15 (Start time: 12:18:14 PM)
Total Marks: 1
Television sets are examples of:
Select correct option:
Durable goods.
Services.
Non-durable goods.
Transfer products.
View (100%)
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Quiz Start Time: 12:07 PM
Question # 14 of 15 (Start time: 12:18:36 PM)
Total Marks: 1
Which of the following is TRUE regarding Constant returns to scale?
Select correct option:
Output doubles when the amounts of all factor inputs double
Output remains constant over time
The marginal productivity of labor equals the marginal productivity of capital
The marginal products of capital and labor do not change
View (100%)
start
Quiz - Opera
3 Adobe Reader
2 Paint
12:19 AM



Question # 1 of 15 (Start time: 03:22:55 PM) Total Marks: 1
If the U.S. real exchange rate increases, then U.S. ———————— will fall and U.S. ———————— will rise.
Select correct option:

Imports; exports
Income; imports
Exports; income
Exports; imports

Quiz Start Time: 03:22 PM Time Left 89 sec(s)

Question # 2 of 15 (Start time: 03:23:37 PM) Total Marks: 1
Demand curves are derived while holding constant:
Select correct option:

Income, tastes, and the price of the good
Income and tastes
Tastes and the price of other goods
Income, tastes, and the price of other goods

Quiz Start Time: 03:22 PM Time Left 82

sec(s)

Question # 4 of 15 (Start time: 03:24:28 PM) Total Marks: 1
The accumulation of all past annual deficits is known as:
Select correct option:

Government debt.
Budget deficit.
Trade deficit.
Budget surplus.

Quiz Start Time: 03:22 PM Time Left 89
sec(s)

Question # 5 of 15 (Start time: 03:25:51 PM) Total Marks: 1
The Golden Rule level of capital accumulation k*gold denotes the steady state with the highest:
Select correct option:

Level of consumption per worker.
Level of output per worker.
Growth rate of consumption per worker.
Growth rate of output per worker.

Quiz Start Time: 03:22 PM Time Left 87
sec(s)

Question # 6 of 15 (Start time: 03:26:47 PM) Total Marks: 1
Suppose that a country in a steady state implements policies to increase its saving rate. After the new steady state is reached:
Select correct option:

Output per worker will grow more rapidly than before.
The level of output per worker will be higher than before.
The amount of capital per worker will be the same as before.
All of the given options.

Question # 7 of 15 (Start time: 03:27:03 PM) Total Marks: 1
During periods of inflation, the official measure of the budget deficit:
Select correct option:

Overstates the change in the government's real indebtedness.
Understates the change in the government's real indebtedness.

Equals the change in the government's real indebtedness.
Should equal the expected rate of inflation.

Quiz Start Time: 03:22 PM Time Left 88
sec(s)

Question # 8 of 15 (Start time: 03:28:30 PM) Total Marks: 1
Resources in an economy:
Select correct option:

Are always fixed.
Can never decrease.
Always increase over time.
Are limited at any moment in time.

Quiz Start Time: 03:22 PM Time Left 89
sec(s)

Question # 9 of 15 (Start time: 03:28:57 PM) Total Marks: 1
Which of the following is NOT the short run impact of an increase in money supply?
Select correct option:

An increase in output level
An increase in price level
An increase in consumption
An increase in investment

Quiz Start Time: 03:22 PM Time Left 88
sec(s)

Question # 10 of 15 (Start time: 03:29:54 PM) Total Marks: 1
Which of the following is NOT included in M1?
Select correct option:

Deposits in checking accounts that pay interest
Deposits in checking accounts
Deposits in money market mutual funds
Currency held by the public

Quiz Start Time: 03:22 PM Time Left 89
sec(s)

Question # 11 of 15 (Start time: 03:31:04 PM) Total Marks: 1
A common misperception about inflation is that it reduces real wages; this is:
Select correct option:

True only in the short run.
True only in the Long run.
True only in Command economies.
None of the given options.

Quiz Start Time: 03:22 PM Time Left 89
sec(s)

Question # 12 of 15 (Start time: 03:31:34 PM) Total Marks: 1
The standard of living is often measured by which of the following?
Select correct option:

Real GDP per capita
Real GDP / depreciation
Real GDP × population
Real GDP plus depreciation

Quiz Start Time: 03:22 PM Time Left 89
sec(s)

Question # 13 of 15 (Start time: 03:32:15 PM) Total Marks: 1
An item that is intrinsically worthless is:
Select correct option:

Commodity money.
Precious metals.
Fiat money.
Barter items.

Question # 14 of 15 (Start time: 03:32:31 PM) Total Marks: 1
In the complete Keynesian cross model, the aggregate expenditures line is specified as:
Select correct option:

AE = C + I + X
AE = C + I + G
AE = C + I + G + (X - M)

AE = C + (I - Y) + (T - G)

Question # 15 of 15 (Start time: 03:33:56 PM) Total Marks: 1
Structural unemployment occurs:
Select correct option:

With economic fluctuations; it increases during bad times and decreases during good times.
Because of a mismatch between the jobs that are available in the economy and the skills of workers seeking jobs.
Naturally during the normal workings of an economy, as people change jobs, move across the country, etc.
Because the government labels some people who aren't really in the labor force as unemployed.

Quiz Start Time: 03:38 PM Time Left 89
sec(s)

Question # 1 of 15 (Start time: 03:38:56 PM) Total Marks: 1
Inflation resulting from supply shocks is known as:
Select correct option:

Demand pull inflation.
Cost push inflation.
Expected inflation.
Food inflation.

Quiz Start Time: 03:38 PM Time Left 88
sec(s)

Question # 2 of 15 (Start time: 03:39:47 PM) Total Marks: 1
An example of an expansionary monetary policy is:
Select correct option:

An increase in the required reserve ratio.
An increase in the discount rate.
A reduction in the taxes banks pay on their profits.
The central bank buying government securities in the open market.
2

Quiz Start Time: 03:38 PM Time Left 89
sec(s)

Question # 3 of 15 (Start time: 03:40:23 PM) Total Marks: 1
---------- depends on the difference between the Marginal Product of Capital and

the cost of capital.
Select correct option:

Net investment
Depreciation investment
Inventory investment
Gross investment

Quiz Start Time: 03:38 PM Time Left 89
sec(s)

Question # 4 of 15 (Start time: 03:41:30 PM) Total Marks: 1
The narrowest definition of money supply is:
Select correct option:

M1.
M2.
M3.
M4.

Quiz Start Time: 03:38 PM Time Left 89
sec(s)

Question # 5 of 15 (Start time: 03:42:02 PM) Total Marks: 1
Let s denote the rate of job separation and f the rate of job finding. If the labor market is in a steady state, the natural rate of unemployment is equal to:
Select correct option:

1/s
1/(s + f)
s/(s + f)
f/(s + f)
3rd

Quiz Start Time: 03:38 PM Time Left 89
sec(s)

Question # 6 of 15 (Start time: 03:42:18 PM) Total Marks: 1
A rise in the general level of interest rates is most likely to cause a fall in:
Select correct option:

The level of planned capital investment.
The exchange rate.
The rate of unemployment.
The savings ratio.

Quiz Start Time: 03:38 PM Time Left 89
sec(s)

Question # 7 of 15 (Start time: 03:43:46 PM) Total Marks: 1
Barter economies require:
Select correct option:

The use of fiat money.
The use of commodity money.
A double coincidence of wants.
Money to serve as a store of value but not as a medium of exchange.

Quiz Start Time: 03:38 PM Time Left 89
sec(s)

Question # 8 of 15 (Start time: 03:44:10 PM) Total Marks: 1
Aggregate supply is the relation between real production and:
Select correct option:

The price level.
Aggregate expenditures.
Foreign trade.
The exchange rate.

Question # 9 of 15 (Start time: 03:45:11 PM) Total Marks: 1
The rate at which the consumer is willing to substitute second period consumption for the first period consumption is known as:
Select correct option:

Marginal rate of substitution.
Rate of discounting.
Rate of inflation.
Interest rate.
4th

Quiz Start Time: 03:38 PM Time Left 88
sec(s)

Question # 10 of 15 (Start time: 03:45:41 PM) Total Marks: 1
What effect is working when the price of a good falls and consumers tend to buy it instead of other goods?
Select correct option:

The diminishing marginal utility effect
The ceteris paribus effect
The income effect
The substitution effect

Question # 11 of 15 (Start time: 03:46:08 PM) Total Marks: 1
Which of the following is the largest component of total expenditures?
Select correct option:

Consumption
Investment
Government spending
Net exports

Question # 12 of 15 (Start time: 03:46:36 PM) Total Marks: 1
The GDP deflator can be used:
Select correct option:

To reduce the overstatement of economic activity that would occur if we included intermediate production.
To correct nominal GDP for the contribution to domestic GDP made by foreign owned factors of production.
To decompose a change in nominal GDP into a change in real GDP and an average change in prices.
To obtain the factor income flows that result from the economic activity that has produced the GDP.
Quiz Start Time: 03:38 PM Time Left 88
sec(s)

Question # 13 of 15 (Start time: 03:47:56 PM) Total Marks: 1
“Each factor of production is paid its marginal product”. This is stated by which of the following theory?
Select correct option:

Neoclassical theory of distribution
Keynesian theory of consumption
Real business cycle theory
Quantity theory of money
1st

Question # 14 of 15 (Start time: 03:48:28 PM) Total Marks: 1
Which of the following is NOT a flow variable?
Select correct option:

Disposable personal income
Consumption expenditures
Personal wealth
Gross domestic product

Quiz Start Time: 03:38 PM Time Left 88
sec(s)

Question # 15 of 15 (Start time: 03:49:08 PM) Total Marks: 1
The standard of living is often measured by which of the following?
Select correct option:

Real GDP per capita
Real GDP / depreciation
Real GDP × population
Real GDP plus depreciation

Quiz Start Time: 03:51 PM
Time Left 88
sec(s)
Question # 1 of 15 (Start time: 03:51:56 PM) Total Marks: 1
Your nominal capital gain in year 2005 is 20%. If inflation rate in this year is also 20% then what will be your real capital gain?
Select correct option:
0%
10%
20%
40%

Quiz Start Time: 03:51 PM
Time Left 88
sec(s)
Question # 2 of 15 (Start time: 03:52:33 PM) Total Marks: 1
If State Bank of Pakistan wishes to pursue a “tight” monetary policy it would:
Select correct option:
Increase the minimum reserve asset ratio.
Buy government securities on the open market.
Lower interest rates.
Sell government securities on the open market.

Quiz Start Time: 03:51 PM
Time Left 86
sec(s)
Question # 3 of 15 (Start time: 03:53:20 PM) Total Marks: 1
Fluctuations in economic activity can be caused by:
Select correct option:
An increase in aggregate demand.
A decrease in aggregate demand.
A decrease in short run aggregate supply.
All of the given options.

Question # 4 of 15 (Start time: 03:54:19 PM) Total Marks: 1
The extra output that a firm can produce using an additional unit of labor is known as:
Select correct option:
Average product of labor.
Marginal product of labor.
Total product.
Total cost.

Quiz Start Time: 03:51 PM
Time Left 88
sec(s)
Question # 5 of 15 (Start time: 03:55:04 PM) Total Marks: 1
Which of the following is a key problem resulting from inflation?
Select correct option:
Prices are stable
Certainty of future prices
A haphazard redistribution of income
An increase in the value of money
Question # 6 of 15 (Start time: 03:55:43 PM) Total Marks: 1
If national output Y = 1,000 and domestic spending on all domestic and foreign goods and services equals 900, then net exports NX will be equal to:
Select correct option:
100
-100
1,900
0
Quiz Start Time: 03:51 PM
Time Left 88
sec(s)
Question # 7 of 15 (Start time: 03:56:12 PM) Total Marks: 1
According to Fisher's model of consumption, all of the following statements about the intertemporal budget constraint are true EXCEPT:
Select correct option:
If current consumption rises, the resources available for future consumption will fall.
Consumption in Period 1 must be less than or equal to consumption in Period 2.
In the first period, saving is equal to first-period income minus consumption.
Consumers take into account both current income and expected future income when making consumption choices.

Quiz Start Time: 03:51 PM
Time Left 89
sec(s)
Question # 8 of 15 (Start time: 03:57:08 PM) Total Marks: 1
According to the loanable funds interpretation of the IS curve:
Select correct option:
Firms want to invest more as their income rises.
Banks want to lend more as the interest rate rises.
An increase in income raises saving and lowers the interest rate that equilibrates the supply of

and demand for loanable funds.
All of the given options.

Quiz Start Time: 03:51 PM
Time Left 88
sec(s)
Question # 9 of 15 (Start time: 03:58:32 PM) Total Marks: 1
Which of the following is NOT included in M1?
Select correct option:
Deposits in checking accounts that pay interest
Deposits in checking accounts
Deposits in money market mutual funds
Currency held by the public
3
3

Quiz Start Time: 03:51 PM
Time Left 84
sec(s)
Question # 10 of 15 (Start time: 03:58:48 PM) Total Marks: 1
Development is impossible without:
Select correct option:
Incentive to profit.
Foreign aid.
Domestic savings.
Inflation.
its seem 3rd

Quiz Start Time: 03:51 PM
Time Left 87
sec(s)
Question # 11 of 15 (Start time: 03:59:32 PM) Total Marks: 1
The difference between exports and imports in determining the GDP is known as the:
Select correct option:
Net exports.
Import tariffs.
Net imports.
Net income.

Quiz Start Time: 03:51 PM
Time Left 85
sec(s)
Question # 12 of 15 (Start time: 04:00:07 PM) Total Marks: 1
The short-run is the time period in which:
Select correct option:
Firms can purchase new capital.
Potential output is fixed.

Price does not change very much.
Government spending fixed.

Quiz Start Time: 03:51 PM
Time Left 86
sec(s)
Question # 13 of 15 (Start time: 04:00:55 PM) Total Marks: 1
The relationship between the level of prices and inflation is:
Select correct option:
The higher the price level, the lower the rate of inflation.
The higher the rate of increase in the price level, the higher the rate of inflation.
The higher the rate of increase in the price level, the lower the rate of inflation.
The higher the price level, the higher the rate of inflation.
Question # 14 of 15 (Start time: 04:01:31 PM) Total Marks: 1
Compared to the aggregate market model, the multiplier effect in the Keynesian cross model is:
Select correct option:
Larger.
Smaller.
Exactly the same.
Often larger, but sometimes smaller.
Question # 15 of 15 (Start time: 04:02:05 PM) Total Marks: 1
Which of the following statements about net exports is correct?
Select correct option:
The term C + I + G understate domestic production of goods and services because it leaves out exports, which must be subtracted out of GDP to obtain the correct figure.
The term C + I + G overstates domestic production of goods and services because it contains imports, which must be subtracted out of GDP to obtain the correct figure.
The difference between exports and imports is negative when the country is a net exporter.
Before 1976, the United States was generally a net importer. Only after 1976, exports began to exceed imports.
me: The difference between exports and imports is negative when the country is a net exporter.

M1:
Select correct option:
Is the narrowest definition of the money supply.
Includes the most liquid forms of money.
Includes travelers' checks.
All of the given options

The relationship between the level of prices and inflation is:
Select correct option:
The higher the price level, the lower the rate of inflation.

The higher the rate of increase in the price level, the higher the rate of inflation.
The higher the rate of increase in the price level, the lower the rate of inflation.
The higher the price level, the higher the rate of inflation.

The term investment refers to:
Select correct option:
Only the creation of capital goods undertaken by private firms or the government.
Only large projects, such as building a new factory, undertaken by private firms.
Any action today that has costs today but provides benefits in the future.
Any action today that has costs today and provides benefits today.

A trade deficit occurs when:
Select correct option:
A country sells more abroad than it purchases from abroad.
Foreign firms open more stores in a country than the country opens in foreign countries.
A country's firms open more stores abroad than foreign firms open in the country.
A country purchases more from abroad than other countries purchase from it.

Which of the following is NOT a flow variable?
Select correct option:
Disposable personal income
Consumption expenditures
Personal wealth
Gross domestic product

The difficulties of comparing growth of different countries are:
Select correct option:
Lack of empirical data.
Choice of a common denominator.
Assigning weighs to the various items of output.
All of the given options.

In the sticky-price model:
Select correct option:
All firms adjust prices instantly in response to changes in demand.
No firms adjust prices instantly in response to changes in demand.
Some firms adjust prices instantly in response to changes in demand while others do not.
Output is constant.

Aggregate supply is the relation between real production and:
Select correct option:
The price level.
Aggregate expenditures.
Foreign trade.
The exchange rate.

Question # 9 of 15 (Start time: 12:53:29 AM) Total Marks: 1
An increase of 10% in nominal GDP indicates that:
Select correct option:
Real output has increased by 10%.
The aggregate price level has increased by 10%.
Real output and the aggregate price level have increased by 5% each.
It is possible that all of the increase was caused by an increase in the aggregate price level.

Question # 10 of 15 (Start time: 12:54:33 AM) Total Marks: 1
The accumulation of all past annual deficits is known as:
Select correct option:
Government debt.
Budget deficit.
Trade deficit.
Budget surplus.

Technological progress is encouraged by:
Select correct option:
The patent system.
Tax incentives for research and development.
Government subsidies for research.
All of the given options.

The currency exchange rate is most likely to change and cause a shift of the aggregate demand curve through a change in:
Select correct option:
Consumption.
Investment.
Net exports.
Transfer payments.

Which one of the following is likely to result in a rightward shift of the short run aggregate supply curve?
Select correct option:
An increase in indirect taxation on producers.
A decrease in government spending.
An increase in planned capital investment spending by businesses.
A decrease in wage rates.

Going to the dentist would be counted in GDP as:
Select correct option:
A service.
Crowns and fillings.
Insurance utilization.

Investment.

Country risk premium is negatively related with:
Select correct option:
Investment.
Consumption.
Income.
Government purchases.

Quiz Start Time: 07:32 PM Time Left 87
sec(s)

Question # 1 of 15 (Start time: 07:32:38 PM) Total Marks: 1
Gross National Product minus net factor income from abroad yields:
Select correct option:

Net national product.
Disposable personal income.
National income.
Gross domestic product.
Ref. GDP = GNP - NET FACTOR INCOME FROM ABROAD

Quiz Start Time: 07:32 PM Time Left 67
sec(s)

Question # 2 of 15 (Start time: 07:34:01 PM) Total Marks: 1
Which of the following is NOT a flow variable?
Select correct option:

Disposable personal income
Consumption expenditures
Personal wealth
Gross domestic product

Quiz Start Time: 07:32 PM Time Left 88
sec(s)

Question # 3 of 15 (Start time: 07:35:25 PM) Total Marks: 1
The difference between exports and imports in determining the GDP is known as the:
Select correct option:

Net exports.
Import tariffs.
Net imports.
Net income.

Quiz Start Time: 07:32 PM Time Left 64
sec(s)

Question # 4 of 15 (Start time: 07:36:42 PM) Total Marks: 1
The relative price of domestic goods in terms of foreign goods is known as:
Select correct option:

Real exchange rate.
Nominal exchange rate.
Discount rate.
Inflation rate.

Quiz Start Time: 07:32 PM Time Left 61
sec(s)

Question # 5 of 15 (Start time: 07:38:07 PM) Total Marks: 1
Television sets are examples of:
Select correct option:

Durable goods.
Services.
Non-durable goods.
Transfer products.

Quiz Start Time: 07:32 PM Time Left 73
sec(s)

Question # 6 of 15 (Start time: 07:39:25 PM) Total Marks: 1
Macro-economic disequilibrium exists when:
Select correct option:
Aggregate exports are not equal to aggregate imports.
Aggregate supply is not equal to aggregate demand.
Aggregate expenditure is not equal to tax revenue.
Aggregate saving is not equal to aggregate investment.

Quiz Start Time: 07:32 PM Time Left 50
sec(s)

Question # 7 of 15 (Start time: 07:40:52 PM) Total Marks: 1
The money supply increases when:
Select correct option:

There is an increase in government purchases.
The Central bank buys Treasury bonds from the public.
A private citizen buys a bond issued by General Motors.
IBM sells stock to the public and uses the proceeds to finance the construction of a new factory.

Quiz Start Time: 07:32 PM Time Left 11
sec(s)

Question # 8 of 15 (Start time: 07:41:53 PM) Total Marks: 1
When the GDP is measured using "adjustments for price changes" it is known as the:
Select correct option:

Real GDP.
Nominal GNP.
Nominal GDP.
Real GNP.

Quiz Start Time: 07:32 PM Time Left 51
sec(s)

Question # 9 of 15 (Start time: 07:43:18 PM) Total Marks: 1
Trade policy is totally ineffective on output under:
Select correct option:

Floating exchange rate.
Fixed exchange rate.
Nominal exchange rate.
Real exchange rate.

Quiz Start Time: 07:32 PM Time Left 66

sec(s)

Question # 10 of 15 (Start time: 07:44:42 PM) Total Marks: 1
Which one of the following is likely to decrease aggregate supply in the economy?
Select correct option:

Improvements in technology.
A reduction in the rate of corporation tax and income tax.
Increased occupational and geographical labor mobility.
A rise in the price of raw materials and components.

Quiz Start Time: 07:32 PM Time Left 82
sec(s)

Question # 11 of 15 (Start time: 07:46:09 PM) Total Marks: 1
An item that is intrinsically worthless is:
Select correct option:

Commodity money.
Precious metals.
Fiat money.
Barter items.

Quiz Start Time: 07:32 PM Time Left 33
sec(s)

Question # 12 of 15 (Start time: 07:47:31 PM) Total Marks: 1
Which of the following is the closest definition of the term "investment"?
Select correct option:

Investment is the purchase of financial assets, such as stocks and bonds
Investment is the value of newly produced capital goods
Investment is the purchase of goods for present consumption
Investment is the accumulation of previous capital

Quiz Start Time: 07:32 PM Time Left 84
sec(s)

Question # 13 of 15 (Start time: 07:48:39 PM) Total Marks: 1
Which one is NOT a factor of production?
Select correct option:

Land
Labor
Capital
Investment (100 % correct)

Quiz Start Time: 07:32 PM Time Left 87
sec(s)

Question # 14 of 15 (Start time: 07:50:02 PM) Total Marks: 1
Inflation resulting from demand shocks is known as:
Select correct option:

Demand pull inflation.
Cost push inflation.
Expected inflation.
Food inflation.

Quiz Start Time: 07:32 PM Time Left 47
sec(s)

Question # 14 of 15 (Start time: 07:50:02 PM) Total Marks: 1
Inflation resulting from demand shocks is known as:
Select correct option:

Demand pull inflation.
Cost push inflation.
Expected inflation.
Food inflation.

Question # 1 of 15 (Start time: 03:22:55 PM) Total Marks: 1
If the U.S. real exchange rate increases, then U.S. ---------- will fall and U.S. ---------- will rise.
Select correct option:

Imports; exports
Income; imports
Exports; income
Exports; imports

Quiz Start Time: 03:22 PM Time Left 89
sec(s)

Question # 2 of 15 (Start time: 03:23:37 PM) Total Marks: 1
Demand curves are derived while holding constant:
Select correct option:

Income, tastes, and the price of the good
Income and tastes
Tastes and the price of other goods
Income, tastes, and the price of other goods

Quiz Start Time: 03:22 PM Time Left 82
sec(s)

Question # 4 of 15 (Start time: 03:24:28 PM) Total Marks: 1
The accumulation of all past annual deficits is known as:
Select correct option:

Government debt.
Budget deficit.
Trade deficit.
Budget surplus.

Quiz Start Time: 03:22 PM Time Left 89
sec(s)

Question # 5 of 15 (Start time: 03:25:51 PM) Total Marks: 1
The Golden Rule level of capital accumulation k*gold denotes the steady state with the highest:
Select correct option:

Level of consumption per worker.
Level of output per worker.
Growth rate of consumption per worker.
Growth rate of output per worker.

Quiz Start Time: 03:22 PM Time Left 87
sec(s)

Question # 6 of 15 (Start time: 03:26:47 PM) Total Marks: 1
Suppose that a country in a steady state implements policies to increase its saving rate. After the new steady state is reached:
Select correct option:

Output per worker will grow more rapidly than before.
The level of output per worker will be higher than before.
The amount of capital per worker will be the same as before.
All of the given options.

Question # 7 of 15 (Start time: 03:27:03 PM) Total Marks: 1
During periods of inflation, the official measure of the budget deficit:
Select correct option:

Overstates the change in the government's real indebtedness.
Understates the change in the government's real indebtedness.
Equals the change in the government's real indebtedness.
Should equal the expected rate of inflation.

Quiz Start Time: 03:22 PM Time Left 88
sec(s)

Question # 8 of 15 (Start time: 03:28:30 PM) Total Marks: 1
Resources in an economy:
Select correct option:

Are always fixed.
Can never decrease.
Always increase over time.
Are limited at any moment in time.

Quiz Start Time: 03:22 PM Time Left 89
sec(s)

Question # 9 of 15 (Start time: 03:28:57 PM) Total Marks: 1
Which of the following is NOT the short run impact of an increase in money supply?
Select correct option:

An increase in output level
An increase in price level
An increase in consumption
An increase in investment

Quiz Start Time: 03:22 PM Time Left 88
sec(s)

Question # 10 of 15 (Start time: 03:29:54 PM) Total Marks: 1
Which of the following is NOT included in M1?
Select correct option:

Deposits in checking accounts that pay interest
Deposits in checking accounts
Deposits in money market mutual funds
Currency held by the public

Quiz Start Time: 03:22 PM Time Left 89
sec(s)

Question # 11 of 15 (Start time: 03:31:04 PM) Total Marks: 1
A common misperception about inflation is that it reduces real wages; this is:
Select correct option:

True only in the short run.
True only in the Long run.

True only in Command economies.
None of the given options.

Quiz Start Time: 03:22 PM Time Left 89
sec(s)

Question # 12 of 15 (Start time: 03:31:34 PM) Total Marks: 1
The standard of living is often measured by which of the following?
Select correct option:

Real GDP per capita
Real GDP / depreciation
Real GDP × population
Real GDP plus depreciation

Quiz Start Time: 03:22 PM Time Left 89
sec(s)

Question # 13 of 15 (Start time: 03:32:15 PM) Total Marks: 1
An item that is intrinsically worthless is:
Select correct option:

Commodity money.
Precious metals.
Fiat money.
Barter items.

Question # 14 of 15 (Start time: 03:32:31 PM) Total Marks: 1
In the complete Keynesian cross model, the aggregate expenditures line is specified as:
Select correct option:

AE = C + I + X
AE = C + I + G
AE = C + I + G + (X - M)
AE = C + (I - Y) + (T - G)

Question # 15 of 15 (Start time: 03:33:56 PM) Total Marks: 1
Structural unemployment occurs:
Select correct option:

With economic fluctuations; it increases during bad times and decreases during good times.
Because of a mismatch between the jobs that are available in the economy and the skills of workers seeking jobs.
Naturally during the normal workings of an economy, as people change jobs, move across the

country, etc.
Because the government labels some people who aren't really in the labor force as unemployed.

Quiz Start Time: 03:38 PM Time Left 89 sec(s)

Question # 1 of 15 (Start time: 03:38:56 PM) Total Marks: 1
Inflation resulting from supply shocks is known as:
Select correct option:

Demand pull inflation.
Cost push inflation.
Expected inflation.
Food inflation.

Quiz Start Time: 03:38 PM Time Left 88 sec(s)

Question # 2 of 15 (Start time: 03:39:47 PM) Total Marks: 1
An example of an expansionary monetary policy is:
Select correct option:

An increase in the required reserve ratio.
An increase in the discount rate.
A reduction in the taxes banks pay on their profits.
The central bank buying government securities in the open market.
2

Quiz Start Time: 03:38 PM Time Left 89 sec(s)

Question # 3 of 15 (Start time: 03:40:23 PM) Total Marks: 1
---------- depends on the difference between the Marginal Product of Capital and the cost of capital.
Select correct option:

Net investment
Depreciation investment
Inventory investment
Gross investment

Quiz Start Time: 03:38 PM Time Left 89 sec(s)

Question # 4 of 15 (Start time: 03:41:30 PM) Total Marks: 1
The narrowest definition of money supply is:
Select correct option:

M1.
M2.
M3.
M4.

Quiz Start Time: 03:38 PM Time Left 89
sec(s)

Question # 5 of 15 (Start time: 03:42:02 PM) Total Marks: 1
Let s denote the rate of job separation and f the rate of job finding. If the labor market is in a steady state, the natural rate of unemployment is equal to:
Select correct option:

1/s
1/(s + f)
s/(s + f)
f/(s + f)
3rd

Quiz Start Time: 03:38 PM Time Left 89
sec(s)

Question # 6 of 15 (Start time: 03:42:18 PM) Total Marks: 1
A rise in the general level of interest rates is most likely to cause a fall in:
Select correct option:

The level of planned capital investment.
The exchange rate.
The rate of unemployment.
The savings ratio.

Quiz Start Time: 03:38 PM Time Left 89
sec(s)

Question # 7 of 15 (Start time: 03:43:46 PM) Total Marks: 1
Barter economies require:
Select correct option:

The use of fiat money.

The use of commodity money.
A double coincidence of wants.
Money to serve as a store of value but not as a medium of exchange.

Quiz Start Time: 03:38 PM Time Left 89
sec(s)

Question # 8 of 15 (Start time: 03:44:10 PM) Total Marks: 1
Aggregate supply is the relation between real production and:
Select correct option:

The price level.
Aggregate expenditures.
Foreign trade.
The exchange rate.

Question # 9 of 15 (Start time: 03:45:11 PM) Total Marks: 1
The rate at which the consumer is willing to substitute second period consumption for the first period consumption is known as:
Select correct option:

Marginal rate of substitution.
Rate of discounting.
Rate of inflation.
Interest rate.
4th

Quiz Start Time: 03:38 PM Time Left 88
sec(s)

Question # 10 of 15 (Start time: 03:45:41 PM) Total Marks: 1
What effect is working when the price of a good falls and consumers tend to buy it instead of other goods?
Select correct option:

The diminishing marginal utility effect
The ceteris paribus effect
The income effect
The substitution effect

Question # 11 of 15 (Start time: 03:46:08 PM) Total Marks: 1
Which of the following is the largest component of total expenditures?
Select correct option:

Consumption
Investment
Government spending
Net exports

Question # 12 of 15 (Start time: 03:46:36 PM) Total Marks: 1
The GDP deflator can be used:
Select correct option:

To reduce the overstatement of economic activity that would occur if we included intermediate production.
To correct nominal GDP for the contribution to domestic GDP made by foreign owned factors of production.
To decompose a change in nominal GDP into a change in real GDP and an average change in prices.
To obtain the factor income flows that result from the economic activity that has produced the GDP.
Quiz Start Time: 03:38 PM Time Left 88
sec(s)

Question # 13 of 15 (Start time: 03:47:56 PM) Total Marks: 1
“Each factor of production is paid its marginal product”. This is stated by which of the following theory?
Select correct option:

Neoclassical theory of distribution
Keynesian theory of consumption
Real business cycle theory
Quantity theory of money
1st

Question # 14 of 15 (Start time: 03:48:28 PM) Total Marks: 1
Which of the following is NOT a flow variable?
Select correct option:

Disposable personal income
Consumption expenditures
Personal wealth
Gross domestic product

Quiz Start Time: 03:38 PM Time Left 88
sec(s)

Question # 15 of 15 (Start time: 03:49:08 PM) Total Marks: 1
The standard of living is often measured by which of the following?
Select correct option:

Real GDP per capita

Real GDP / depreciation
Real GDP × population
Real GDP plus depreciation

Quiz Start Time: 03:51 PM
Time Left 88
sec(s)
Question # 1 of 15 (Start time: 03:51:56 PM) Total Marks: 1
Your nominal capital gain in year 2005 is 20%. If inflation rate in this year is also 20% then what will be your real capital gain?
Select correct option:
0%
10%
20%
40%

Quiz Start Time: 03:51 PM
Time Left 88
sec(s)
Question # 2 of 15 (Start time: 03:52:33 PM) Total Marks: 1
If State Bank of Pakistan wishes to pursue a “tight” monetary policy it would:
Select correct option:
Increase the minimum reserve asset ratio.
Buy government securities on the open market.
Lower interest rates.
Sell government securities on the open market.

Quiz Start Time: 03:51 PM
Time Left 86
sec(s)
Question # 3 of 15 (Start time: 03:53:20 PM) Total Marks: 1
Fluctuations in economic activity can be caused by:
Select correct option:
An increase in aggregate demand.
A decrease in aggregate demand.
A decrease in short run aggregate supply.
All of the given options.
Question # 4 of 15 (Start time: 03:54:19 PM) Total Marks: 1
The extra output that a firm can produce using an additional unit of labor is known as:
Select correct option:
Average product of labor.
Marginal product of labor.
Total product.
Total cost.

Quiz Start Time: 03:51 PM

Time Left 88
sec(s)
Question # 5 of 15 (Start time: 03:55:04 PM) Total Marks: 1
Which of the following is a key problem resulting from inflation?
Select correct option:
Prices are stable
Certainty of future prices
A haphazard redistribution of income
An increase in the value of money
Question # 6 of 15 (Start time: 03:55:43 PM) Total Marks: 1
If national output Y = 1,000 and domestic spending on all domestic and foreign goods and services equals 900, then net exports NX will be equal to:
Select correct option:
100
-100
1,900
0
Quiz Start Time: 03:51 PM
Time Left 88
sec(s)
Question # 7 of 15 (Start time: 03:56:12 PM) Total Marks: 1
According to Fisher's model of consumption, all of the following statements about the intertemporal budget constraint are true EXCEPT:
Select correct option:
If current consumption rises, the resources available for future consumption will fall.
Consumption in Period 1 must be less than or equal to consumption in Period 2.
In the first period, saving is equal to first-period income minus consumption.
Consumers take into account both current income and expected future income when making consumption choices.

Quiz Start Time: 03:51 PM
Time Left 89
sec(s)
Question # 8 of 15 (Start time: 03:57:08 PM) Total Marks: 1
According to the loanable funds interpretation of the IS curve:
Select correct option:
Firms want to invest more as their income rises.
Banks want to lend more as the interest rate rises.
An increase in income raises saving and lowers the interest rate that equilibrates the supply of and demand for loanable funds.
All of the given options.

Quiz Start Time: 03:51 PM
Time Left 88
sec(s)
Question # 9 of 15 (Start time: 03:58:32 PM) Total Marks: 1
Which of the following is NOT included in M1?
Select correct option:

Deposits in checking accounts that pay interest
Deposits in checking accounts
Deposits in money market mutual funds
Currency held by the public
3
3

Quiz Start Time: 03:51 PM
Time Left 84
sec(s)
Question # 10 of 15 (Start time: 03:58:48 PM) Total Marks: 1
Development is impossible without:
Select correct option:
Incentive to profit.
Foreign aid.
Domestic savings.
Inflation.
its seem 3rd

Quiz Start Time: 03:51 PM
Time Left 87
sec(s)
Question # 11 of 15 (Start time: 03:59:32 PM) Total Marks: 1
The difference between exports and imports in determining the GDP is known as the:
Select correct option:
Net exports.
Import tariffs.
Net imports.
Net income.

Quiz Start Time: 03:51 PM
Time Left 85
sec(s)
Question # 12 of 15 (Start time: 04:00:07 PM) Total Marks: 1
The short-run is the time period in which:
Select correct option:
Firms can purchase new capital.
Potential output is fixed.
Price does not change very much.
Government spending fixed.

Quiz Start Time: 03:51 PM
Time Left 86
sec(s)
Question # 13 of 15 (Start time: 04:00:55 PM) Total Marks: 1
The relationship between the level of prices and inflation is:
Select correct option:
The higher the price level, the lower the rate of inflation.
The higher the rate of increase in the price level, the higher the rate of inflation.

The higher the rate of increase in the price level, the lower the rate of inflation.
The higher the price level, the higher the rate of inflation.
Question # 14 of 15 (Start time: 04:01:31 PM) Total Marks: 1
Compared to the aggregate market model, the multiplier effect in the Keynesian cross model is:
Select correct option:
Larger.
Smaller.
Exactly the same.
Often larger, but sometimes smaller.
Question # 15 of 15 (Start time: 04:02:05 PM) Total Marks: 1
Which of the following statements about net exports is correct?
Select correct option:
The term C + I + G understate domestic production of goods and services because it leaves out exports, which must be subtracted out of GDP to obtain the correct figure.
The term C + I + G overstates domestic production of goods and services because it contains imports, which must be subtracted out of GDP to obtain the correct figure.
The difference between exports and imports is negative when the country is a net exporter.
Before 1976, the United States was generally a net importer. Only after 1976, exports began to exceed imports.
me: The difference between exports and imports is negative when the country is a net exporter.

Quiz Start Time: 07:32 PM Time Left 84
sec(s)

Question # 15 of 15 (Start time: 07:50:55 PM) Total Marks: 1
The level of output produced when the labor market is in equilibrium is called:
Select correct option:

Target output.
Product market equilibrium output.
Full-employment output.
Natural output.

Quiz Start Time: 07:32 PM Time Left 5
sec(s)

Question # 15 of 15 (Start time: 07:50:55 PM) Total Marks: 1
The level of output produced when the labor market is in equilibrium is called:
Select correct option:

Target output.
Product market equilibrium output.
Full-employment output.
Natural output.

Final goods and services" are those that are:

Double counted in the calculation of GDP.
Sold to ultimate or final purchasers.
Produced outside the country.
Used in the production of other goods and services.

The demand for money represents the idea that there is:
Select correct option:

A positive relationship between the interest rate and the quantity of money demanded.
A negative relationship between the level of aggregate output and the quantity of money demanded.
A negative relationship between the interest rate and the quantity of money demanded.
A negative relationship between the price level and the quantity of money demanded.

An item that is intrinsically worthless is:

Select correct option:

Commodity money.
Precious metals.
Fiat money.
Barter items.

Monetary policy is totally ineffective on output under:
Select correct option:

Floating exchange rate.
Fixed exchange rate.
Nominal exchange rate.
Real exchange rate.

In the sticky-price model:
Select correct option:

All firms adjust prices instantly in response to changes in demand.
No firms adjust prices instantly in response to changes in demand.
Some firms adjust prices instantly in response to changes in demand while others do not.
Output is constant.

Which of the following would be a macroeconomic question?
Select correct option:

How have prices of specific commodities increased over time?
How has output in specific markets changed over time?
How have personal incomes in general increased over time?
How have the incomes in a particular occupation changed over time?

Which of the following is NOT included in M1?
Select correct option:

Deposits in checking accounts
Deposits in checking accounts that pay interest
Currency held by the public
None of the given options

Which of the following is true?
Select correct option:

MPL = F (K, L +1) – F (K, L)
MPL = F (K, L -1) – F (K, L-1)

MPL = F (K, L +1) – F (K, L+1)
MPL = F (K+1, L +1) – F (K, L)

Disposable Personal income is equal to personal income minus----------
Select correct option:

Personal taxes
Indirect business taxes
Capital consumption allowance
Income earned but not received

If the production function Y = F(K, L) has -------then---------
Select correct option:

Constant returns to scale; F(zK, zL) = zY.
Increasing returns to scale; F(zK, zL) = zY.
Constant returns to scale; F(Y/L, zL) = zY.
Decreasing returns to scale; F(zK, zL) = y.

The production function is a function that:
Select correct option:

Relates factor prices to the amounts of inputs demanded.
Relates marginal products of factors of production to factor prices.
Relates factors of production to the amount of output produced.
Always have constant returns to scale.

Economic growth occurs when there is a(n)----------rate.
Select correct option:

Increase in tax
Increase in the death
Decrease in birth
Increase in the economy's productive

In the Solow growth model with technological growth,Y/L =y * E shows----------per worker.
Select correct option:

Output
labor
capital
technology

In 1997; you bought stock of a company at Rs.10, 000 and sold it after one year at

Rs.14, 000. Your ----------gain is----------.
Select correct option:

Nominal capital; 40%
Nominal capital; 0.04%
Real capital; 40%
Capital; 0.4%

Which of the following is NOT a flow variable?
Select correct option:

Disposable personal income
Consumption expenditures
Personal wealth
Gross domestic product

An item that is intrinsically valueless is----------.
Select correct option:

Commodity money.
Precious metals.
Fiat money.
Barter items.

_____that deals with the economy as whole.
Select correct option:

Micro economics.
Macro economics.
Development economics.
Mathematical economics.

Which of the following is the formula of unemployment rate?
Select correct option:

Labor Force/Population
Unemployed / Employed + Unemployed
Employed + Unemployed
Labor Force + Not in Labor Force

If 10% of employed workers lose their jobs (s= 0.1) and 10% of unemployed worker find new jobs (f=0.1),the natural rate of unemployment will be----------
Select correct option:

1
0.5
0.2

0.1

In the solow model there is -------type of capital.
Select correct option:

One
Two
Three
Four

The ---------refers to the separation of ------and ---------- variables
Select correct option:

Classical dichotomy; real; nominal
Keynes dichotomy; dependent; independent
Classical dichotomy; exogenous; endogenous
Classical dichotomy; real wages; real

MACROECONOMICS(EC0403)

1. Which of the following equations is correct?

E. Real exchange rate = (exchange rate + domestic price level) / foreign price level
F. Exchange rate = (real exchange rate × domestic price level) / foreign price level
G. Real exchange rate = (nominal exchange rate × domestic price level) × foreign price level
H. Real exchange rate = (nominal exchange rate × domestic price level) / foreign price level

2. The difference between exports and imports in determining the GDP is known as the:

a) Net exports
b) Import tariffs.
c) Net imports.
d) Net income

3. Unemployment that naturally occurs during the normal workings of an economy as people change jobs and move across the country is called

E. Structural unemployment.
F. Frictional unemployment.
G. Natural unemployment.
H. Cyclical unemployment.

4. The demand for labor curve shows:

C. An inverse relationship between the real wage and the number of workers who are willing to work.
D. That real wages are constant.
E. An inverse relationship between the real wage and the amount of labor hired.
F. A positive relationship

5. Which of the following statements about net exports is correct?

D. The term C + I + G understate domestic production of goods and services because it leaves out exports, which must be subtracted out of GDP to obtain the correct figure.
E. **The term C + I + G overstates domestic production of goods and services because it contains** imports, which must be subtracted out of GDP to obtain the correct figure.
F. The difference between exports and imports is negative when the country is a net exporter.
Before 1976,

6. Which of the following equations is correct?

E. Nominal interest rate = real interest rate – inflation
F. Real interest rate = nominal interest rate + inflation
G. Real interest rate = nominal interest rate × inflation
H. Real interest rate = nominal

7. If the U.S. real exchange rate increases, then U.S. ---------- will fall and U.S. ---------- will rise.

E. Imports; exports
F. Income; imports
G. Exports; income
H. Exports; imports

8. Which one of the following could explain a shift to the right of the supply curve for a good?

E. The imposition of a tax on the good
F. A new supplier entering the market
G. A rise in firms' wage costs
H. A rise in the price of the good

9. Which of the following is NOT included in M1?

E. Deposits in checking accounts
F. Deposits in checking accounts that pay interest
G. Currency held by the public
H. None of the given options

10. The circular flow is used to make the point that:

E. Households are both earners and spenders.
F. Production generates income.
G. Unemployment only occurs during a recession.
H. Rising prices never occur during times of unemployment

11. Currency held by the public is included in:

E. Neither M1 nor M2.
F. M2 only.
G. M1 only.
H. Both M1 & M2

12. If Umar does not have a job and is not currently looking for work but has looked in the past, he is considered:

E. Not in the labor force.
F. Unemployed and in the labor force.
G. Unemployed.
H. Unemployed and not in the labor force.

13. An asset that is included in M3 but not in M2 is:

E. Currency.
F. Checkable deposits.
G. Small-denomination certificates of deposit.
H. Large-denomination

14.

A. A country sells more abroad than it purchases from abroad.
B. Foreign firms open more stores in a country than the country opens in foreign countries.
C. A country's firms open more stores abroad than foreign firms open in the country.
D. A country purchases

15. Is the narrowest definition of the money supply?

A. Includes the most liquid forms of money.
B. Includes travelers' checks.
C. All of the given options
D. M!
E. M1

Past Quiz ECO403

Question # 1 of 10) Total Marks: 1

1+r is slope of which of the following?
Select correct option:

Intertemporal budget constraint

Indifference curve

Consumption function

IS curve

Question # 2 of 10 Total Marks: 1

Which of the following is TRUE regarding Constant returns to scale?
Select correct option:

Output doubles when the amounts of all factor inputs double

Output remains constant over time

The marginal productivity of labor equals the marginal productivity of capital

The marginal products of capital and labor do not change

Question # 3 of 10 Total Marks: 1

Trade restrictions have no effect on income under floating exchange rates because:
Select correct option:

Net exports increase but investment decreases.

The exchange rate rises to offset the initial increase in net exports.

The fall in imports equals the rise in exports.

All of the given options.

Question # 5 of 10 Total Marks: 1

Gross National Product minus net factor income from abroad yields:
Select correct option:

Net national product.

Disposable personal income.

National income.

Gross domestic product.

Question # 6 of 10 Total Marks: 1

If people suddenly wish to hold more money at each interest rate:
Select correct option:

The money demand curve will shift to the right.

The LM curve will shift upward (to the left).

Real income will fall.

All of the given options.

Question # 7 of 10 Total Marks: 1

In the short run equilibrium, if output is above the full employment level, then prices will:
Select correct option:

Rise.

Fall.

Remain constant.

First rise then fall.

Question # 8 of 10) Total Marks: 1

Stock market boom or crash is an example of which of the following?
Select correct option:

IS Shock

LM Shock

Demand Shock

Supply Shock

Question # 10 of 10 Total Marks: 1

Which of the following events is NOT expected to decrease aggregate demand?
Select correct option:

A decrease in government purchases

An increase in real interest rates

A decrease in foreign incomes

A decrease in the price level

Saving...

Another Quiz

Question # 1 of 10 (Start time: 11:20:47 PM) Total Marks: 1
Which of the following events is NOT expected to decrease aggregate demand?
Select correct option:

A decrease in government purchases

An increase in real interest rates

A decrease in foreign incomes

A decrease in the price level

Question # 2 of 10 (Start time: 11:22:15 PM) Total Marks: 1
In a small open economy with a floating exchange rate, fiscal policy will be ineffective because:
Select correct option:

Monetary policy will completely offset it.

The exchange rate will remain constant.

A fall in net exports will offset any increases in government purchases or consumption.

The exchange rate will rise by the same amount as the interest rate.

The cost of capital is determined by all of the following EXCEPT the:
Select correct option:

Rate of depreciation.

Corporate profit rate.

Interest rate.

Price of capital and its rate of change.

Question # 4 of 10 (Start time: 11:25:08 PM) Total Marks: 1
Which of the following best defines Net national product?
Select correct option:

GDP less depreciation

GNP plus income generated from foreign firms in the domestic country

GNP less depreciation

GNP less income generated from foreign firms in the domestic country

Question # 5 of 10 (Start time: 11:26:26 PM) Total Marks: 1
The deviation of the actual rate of unemployment from the natural rate is known as:
Select correct option:

Cyclical unemployment.

Structural unemployment.

Frictional unemployment.

Seasonal unemployment.

Question # 6 of 10 (Start time: 11:27:59 PM) Total Marks: 1
An increase in government purchases will shift the:
Select correct option:

IS curve to the left and decrease both the interest rate and the level of income.

IS curve to the right and increase both the interest rate and the level of income.

IS curve to the right and increase the level of income but decrease the interest rate.

LM curve downward (to the right) and increase the level of income but decrease the interest rate.

Question # 7 of 10 (Start time: 11:31:49 PM) Total Marks: 1
In monopolistic competition, firms set their own prices. This is an example of:
Select correct option:

The sticky-wage model.

The imperfect information model.

The sticky-price model.

IS-LM model.

Question # 8 of 10 (Start time: 11:33:19 PM) Total Marks: 1
If a consumer wishes to consume more than his current income in Period 1:

Select correct option:

He will be unable to consume anything in Period 2.

The real interest rate must be greater than one.

The decision to consume more must satisfy both his budget constraint and his borrowing constraint.

None of the given options.

Question # 9 of 10 (Start time: 11:33:55 PM) Total Marks: 1
If labor productivity per week is 200 units and there are 5 employees what is the total output?
Select correct option:

40 units.

95 units.

1000 units.

200 units.

Question # 10 of 10 (Start time: 11:34:37 PM) Total Marks: 1
Which one of the following is most likely to cause firms to decrease the amount of investment they undertake?
Select correct option:

A rise in expected consumer demand.

A fall in business confidence.

A fall in company taxation.

A fall in interest rates.

Final goods and services" are those that are:
Select correct option:

Double counted in the calculation of GDP.

Sold to ultimate or final purchasers.

Produced outside the country.

Used in the production of other goods and services.

Flexible exchange rates have the benefit of:
Select correct option:

Changing as the price levels and interest rates between countries change.

Being under the full control of the government.

Making international transactions easier and cheaper.

None of the given options.

A government wishing to reduce the level of unemployment through the use of fiscal policy would be most likely to:
Select correct option:

Boost the money supply by relaxing credit controls.

Cut interest rates.

Increase the size of the budget deficit.

Encourage a depreciation of the exchange rate.

The short run consumption function has:
Select correct option:

Rising Average Propensity to Consume.

Falling Average Propensity to Consume.

Constant Average Propensity to Consume.

First rising then falling Average Propensity to Consume.

All models of aggregate supply predict:
Select correct option:

An upward-sloping SRAS curve.

A vertical LRAS curve.

That the actual level of output is equal to its natural rate in the long run.

All of the given options.

Okun's law states a relationship between the GDP gap and the:
Select correct option:

Trade deficit.

Government budget deficit.

Actual and expected inflation rate.

Actual unemployment rate and the natural rate of unemployment.

A common misperception about inflation is that it reduces real wages; this is:
Select correct option:

True only in the short run.

True only in the Long run.

True only in Command economies.

None of the given options.

Which of the following is TRUE regarding Constant returns to scale?
Select correct option:

Output doubles when the amounts of all factor inputs double

Output remains constant over time

The marginal productivity of labor equals the marginal productivity of capital

The marginal products of capital and labor do not change

In a poor country:
Select correct option:

The supply of capital is low.

The demand for capital is low.

Both the supply of and demand for capital are low.

None of the given options.

Trade restrictions have no effect on income under floating exchange rates because:
Select correct option:

Net exports increase but investment decreases.

The exchange rate rises to offset the initial increase in net exports.

The fall in imports equals the rise in exports.

All of the given options.

1- The relationship between the level of prices and inflation is:
A. The higher the price level, the lower the rate of inflation.
B. The higher the rate of increase in the price level, the higher the rate of inflation.
C. The higher the rate of increase in the price level, the lower the rate of inflation.
D. The higher the price level, the higher the rate of inflation.

2- Which of the following is included in M2?
A. Commercial paper.
B. Stocks.
C. U.S. Treasury bonds.
D. Savings accounts.

3- The demand for money represents the idea that there is:
A. A positive relationship between the interest rate and the quantity of money demanded.
B. A negative relationship between the level of aggregate output and the quantity of money demanded.
C. A negative relationship between the interest rate and the quantity of money demanded.
D. A negative relationship between the price level and the quantity of money demanded.

4- Different firms change their prices at different times; this leads to:
A. Menu cost of inflation.
B. Shoe leather cost of inflation.
C. General inconvenience.
D. Relative price distortions.

5- If S-I and NX are exactly equal to zero i-e the value of imports equals the value of exports then:
A. We have trade surplus.
B. We have trade deficit.
C. We have balanced trade.
D. We have no trade at all.

6- Which of the following causes microeconomic inefficiencies in the allocation of resources?
A. Menu cost of inflation.
B. Shoe leather cost of inflation.
C. General inconvenience.
D. Relative price distortions.

7- The difference between a country's merchandise exports and its merchandise imports is the:
A. Balance of trade.
B. Balance of payments.
C. Capital account.
D. None of the given options.

8- If the U.S. real exchange rate increases, then U.S. ---------- will fall and U.S. ---------- will rise.
A. Imports; exports.
B. Income; imports.
C. Exports; income.
D. Exports; imports.

9- If Omar does not have a job and is not currently looking for work but has looked in the past, he is considered:
A. Not in the labor force.
B. Unemployed and in the labor force.
C. Unemployed.
D. Unemployed and not in the labor force.

10- A government wishing to reduce the level of unemployment through the use of fiscal policy would be most likely to:
A. Boost the money supply by relaxing credit controls.
B. Cut interest rates.
C. Increase the size of the budget deficit.
D. Encourage a depreciation of the exchange rate.