MACROECONOMICS (EC0403)

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.
B. That real wages are constant.
C. An inverse relationship between the real wage and the amount of labor hired.
D. 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

BRIEFCASE

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 & M2**

12. If Umar does not have a job and is not currently looking for work but has looked in the past, h~~e 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

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 fo~~reign~~ co~~u~~ntries.
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 # 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~~ ~~yield~~s: 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.

VU APEX CAMPUS	**vuapex.com.pk**	**vuapex.pk**
Contact Us:	**0322-8877744**	

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:

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

Being under the full control of the government.

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

The short run consumption function has:

All models of aggregate supply predict:

Select correct option:

BRIGHTEYES

Making international transactions easier and cheaper.

None of the given options.

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.

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.

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.**