Index_____   **Name**_____

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

1) Which of the following would normally NOT be considered as a macroeconomic issue?   1) _____
   A) economic growth   B) inflation
   C) unemployment   D) the price of butter

2) Inflation is   2) _____
   A) an increase in the overall price level.
   B) a decrease in the overall price level.
   C) a decrease in the overall level of economic activity.
   D) an increase in the overall level of economic activity.

3) The record of a country's transactions in goods, services, and assets with the rest of the world is   3) _____
   its
   A) balance of payments.   B) current account.
   C) balance of trade.   D) capital account.

4) Any transaction that brings in foreign exchange for a country is a   4) _____
   A) credit item in that country's balance of trade.
   B) credit item in that country's balance of payments.
   C) debit item in that country's balance of payments.
   D) debit item in that country's balance of trade.

5) Which of the following would be a credit item in the Ghana balance of payments?   5) _____
   A) a Ghana company sells computer software to a company in Spain
   B) a Ghana citizen travels to the USA for a two–week holiday
   C) a Ghana firm hires a non–Ghana citizen
   D) the Ghana government lends Russia money

6) The difference between a country's merchandise exports and its merchandise imports is the   6) _____
   A) capital account.   B) current account.
   C) balance of payments.   D) balance of trade.

7) When a country's exports of goods are less than its imports of goods in a given period, it has a   7) _____
   A) a trade surplus.   B) trade deficit.
   C) a zero balance of trade.   D) a positive trade balance.

8) The price of one country's currency in terms of another country's currency is the   8) _____
   A) terms of trade.   B) exchange rate.
   C) balance of trade.   D) currency valuation.

9) All currencies other than the domestic currency of a given country are referred to as   9) _____
   A) reserve currency.   B) foreign currency.
   C) hard currency.   D) near monies.

10) The diagram that shows the income received and payments made by each sector of the economy   10) _____
    is the
    A) trade cycle diagram.
    B) aggregate demand and aggregate supply diagram.
    C) Phillips curve.
    D) circular flow diagram.

11) To distinguish between nominal and real figures we must adjust for   11) _____
    A) unemployment.   B) inflation.
    C) a balance of payments deficit.   D) low growth.

12) A household that spends more than it receives in income during a given period is   12) _____
    A) dis–saving.   B) investing.
    C) running a surplus.   D) receiving transfer payments.

13) The major lesson of the circular flow diagram is that   13) _____
    A) saving must always equal investment.
    B) one person's expenditure is someone else's receipt.
    C) taxes must equal government expenditures.
    D) all of the above

14) When withdrawals are less than injections national income will   14) _____
    A) not change   B) accelerate   C) rise   D) fall

15) Within the circular flow of income, withdrawals are composed of   15) _____
    A) saving, net taxes and export expenditure.
    B) saving, investment and import expenditure.
    C) saving, net taxes and import expenditure.
    D) consumption, net taxes and import expenditure.

16) Which of the following is not regarded as an injection within the circular flow of income?   16) _____
    A) investment   B) export expenditure
    C) saving   D) government expenditure

17) Aggregate demand consists of   17) _____
    A) consumption + saving
    B) consumption+ (exports– imports)+ (government expenditure– taxes)+ (investment–
       saving).
    C) consumption of domestically produced goods and services + withdrawals
    D) injections + withdrawals
    E) consumption of domestically produced goods + injections

18) An expansion or boom is the period in the business cycle from a   18) _____
    A) trough up to a peak.   B) peak to a peak.
    C) trough to a trough.   D) peak down to a trough.

19) Planned aggregate expenditure in an open economy equals: 19) _____
   A) Cd + I + G + M
   B) Cd + I + G + T
   C) Cd + I + G + S
   D) Cd + I + G + X

20) When calculating GDP by the expenditure method, exports are _____ and imports are 20) _____
   _____.
   A) added, added
   B) subtracted, added
   C) added, subtracted
   D) subtracted, subtracted

21) Subsidies are 21) _____
   A) subtracted from GDP at market price to calculate GVA.
   B) added to GDP at market prices to calculate GVA.
   C) added to national income to calculate GVA.
   D) subtracted from national income to calculate GVA.

22) Transfer payments are 22) _____
   A) included in national income but not in personal disposable income.
   B) not included in national income but are included in personal disposable income.
   C) included in both national income and personal disposable income.
   D) excluded from both national income and personal disposable income.

23) Gross national product measures the value of _____, while gross domestic product measures 23) _____
   the value of _____.
   A) all production including government production, output produced in the private sector
      only.
   B) output produced by domestically owned factors of production, output produced by the
      factors of production located in a country.
   C) total production, only final goods produced.
   D) all production including net exports, production excluding both imports and exports.

24) The amount by which an asset's value falls in a given period is 24) _____
   A) the net value.   B) inflation.   C) deflation.   D) depreciation.

25) An example of a transfer payment is 25) _____
   A) the salary paid to a member of the armed forces.
   B) a social security retirement benefit.
   C) the added value of stock from the time it was bought to the time it was sold.
   D) an interest payment on a government bond.

26) Gross domestic product measured in current pounds is 26) _____
   A) current GDP.   B) real GDP.   C) nominal GDP.   D) constant GDP.

27) Gross domestic product measured in terms of the prices of a fixed, or base, year is 27) _____
   A) current GDP.   B) base GDP.   C) real GDP.   D) nominal GDP.

28) A contraction or recession is the period in the business cycle from a 28) _____
   A) trough to a trough.
   B) peak down to a trough.
   C) trough up to a peak.
   D) peak to a peak.