Answer Key

1. A
2. B
3. C
4. E
5. A
6. B
7. C
8. B
9.

Year	Nominal GDP	Real GDP	Deflator
2010	10600	10600	100
2011	13440	13500	99.56
2012	19000	16000	114.46

10. D
11. D
12. A
13. A
14. B
15. a)

Year	Cost of Market Basket
2010	$640
2011	$640
2012	$800

b)

Year	CPI with base year 2010
2010	100
2011	100
2012	125

c)

Year	CPI with base year 2012
2010	80
2011	80
2012	100

d) Rate of inflation from 2011 to 2012 using 2010 as base year $= \frac{125-100}{100} \times 100\% = 25\%$

Rate of inflation from 2011 to 2012 using 2012 as base year $= \frac{100-80}{80} \times 100\% = 25\%$