Q-1. The following data pertain to the total output in units and average selling prices in an economy that produces only two products, X and Y:

Year	Product X		Product Y	
	Output (units)	Selling Price/unit	Output (units)	Selling Price/unit
2011	2,800	€9	2,000	€47
2012	3,000	€11	1,800	€52

If the implicit price deflator for GDP in 2011 was 100, for 2012 it is closest to:

A. 106.2.

B. 106.8.

C. 113.4.

Q-2. An increase in government spending would shift the：

A. IS curve and the LM curve.

B. IS curve and the aggregate demand curve.

C. LM curve and the aggregate demand curve.

Q-3. Which of the following is least likely to result in an increase in potential GDP?

A. An advance in technology

B. An increase in the money wage rate

C. An increase in the quantity of capital

Q-4. Which of the following is most consistent with real business cycle (RBC) models? The arguments and recommendations of RBC models suggest that:

A. monetary variables have a major impact on GDP growth.

B. persons are unemployed because their asking wages are too high.

C. governments should intervene when the economy is in contraction.

Q-5. The term that describes when inflation declines but nonetheless remains at a positive level is:

A. deflation.

B. stagflation.

C. disinflation.