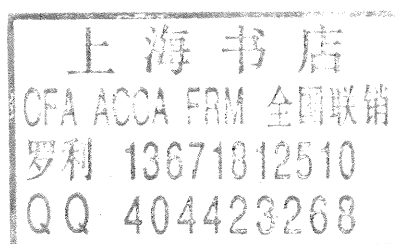


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FORMULAS

$$\text{price elasticity of demand} = \frac{\text{percent change in quantity demanded}}{\text{percent change in price}} = \frac{\% \Delta Q}{\% \Delta P}$$

$$\text{where: percent change} = \frac{\text{change in value}}{\text{average value}} = \frac{\text{ending value} - \text{beginning value}}{\left(\frac{\text{ending value} + \text{beginning value}}{2} \right)}$$

$$\text{cross elasticity of demand} = \frac{\text{percent change in quantity demanded}}{\text{percent change in price of substitute or complement}}$$

$$\text{income elasticity of demand} = \frac{\text{percent change in quantity demanded}}{\text{percent change in income}}$$

$$\text{price elasticity of supply} = \frac{\text{percent change in quantity supplied}}{\text{percent change in price}} = \frac{\% \Delta Q}{\% \Delta P}$$

$$\text{total cost} = \text{total fixed cost} + \text{total variable cost}$$

$$\text{marginal cost} = \frac{\text{change in total cost}}{\text{change in output}}, \text{ or } MC = \frac{\Delta TC}{\Delta Q}$$

$$\text{average fixed cost} = TFC / Q$$

$$\text{average variable cost} = TVC / Q$$

$$\text{average total cost} = AFC + AVC$$

$$\text{unemployment rate} = \frac{\text{number of unemployed}}{\text{labor force}} \times 100$$

$$\text{labor force participation rate} = \frac{\text{labor force}}{\text{working-age population}} \times 100$$

$$\text{employment-to-population ratio} = \frac{\text{number of employed}}{\text{working-age population}} \times 100$$

$$CPI = \frac{\text{cost of basket at current prices}}{\text{cost of basket at base period prices}} \times 100$$

$$\text{inflation rate} = \frac{\text{current price level} - \text{year-ago price level}}{\text{year-ago price level}} \times 100$$

$$\text{aggregate demand} = \text{consumption} + \text{investment} + \text{government spending} + \text{net exports}$$

$$\text{potential deposit expansion multiplier} = 1 / (\text{required reserve ratio})$$

$$\text{potential increase in money supply} = \text{potential deposit expansion multiplier} \times \text{increase in excess reserves}$$

equation of exchange:

$$\text{money supply} \times \text{velocity} = \text{GDP} = \text{price} \times \text{real output}$$

quantity theory of money:

$$\text{price} = \frac{MV}{Y}$$

balance of payments:

$$\text{current account} + \text{capital account} + \text{official reserve account} = 0$$

$$\left(\begin{array}{c} \text{forward premium} \\ \text{or discount} \end{array} \right) = \left(\frac{\text{forward rate} - \text{spot rate}}{\text{spot rate}} \right) \left(\frac{360}{\text{number of forward contract days}} \right)$$

interest rate parity using direct quotes:

$$\frac{\text{forward}}{\text{spot}} = \left(\frac{1 + r_D}{1 + r_F} \right)$$

$$\text{covered interest differential} = (1 + r_D) - \left(\frac{(1 + r_F)(\text{forward rate})}{\text{spot rate}} \right)$$

purchasing power parity:

$$\text{expected exchange rate at time 1} = \text{exchange rate at time 0} \times \left[\frac{1 + \text{domestic inflation}}{1 + \text{foreign inflation}} \right]$$

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