

Tut Test 4

ECON F211: Principles of Economics

Time Duration: 30 Minutes

Date: 20/Apr/2021

Maximum Marks: 30

- 1) The measurement of Gross domestic product includes
- A) the total spending of everyone in the economy.
 - B) the value of all output in the economy.
 - C) the total income of everyone in the economy.
 - D) all of the above

Answer: D

- 2) Which of the following method can be used to avoid the problem of double counting
- A) By including the value of intermediate goods in the current year.
 - B) By excluding the value of intermediate goods in GDP.
 - C) By excluding the value of intermediate goods in the GDP but including in the GNP.
 - D) By including the value of intermediate goods in the production year but not in the selling year of those goods.

Answer: B

- 3) Identify the most appropriate definition of Gross National Product
- A) The total market value of all final and intermediate goods and service produced by resources owned by a country in a given year.
 - B) The total market value of all final and intermediate goods and services produced in a country, regardless of who owns the resources.
 - C) The total market value of all final goods and services produced in a country in a given year, regardless of who owns the resources.
 - D) The total market value of all final goods and services produced by resources owned by a country, regardless of where production takes place.

Answer: D

- 4) Among the following, identify the item which is not counted in the GNP of India?
- A) The wage of an Indian citizen who works in a foreign country for a foreign firm.
 - B) The interest earned by an Indian bank on loans to a business firm located in South Africa.
 - C) The profit earned by a restaurant located in India but owned by a Chinese company.
 - D) The value of services that are produced by Indian states and local governments in India.

Answer: C

- 5) The value of what KFC produces in India is included in the U.S. _____ and in the Indian _____.

- A) GDP; GDP
- B) GNP; GNP
- C) GNP; GDP
- D) GDP; GNP

Answer: C

	₹ billions
Durable goods	2080
Non-residential investment	1040
Federal purchase of goods	780
Exports	1040
State and local purchase of goods	520
Residential investment	130
Services	1300
Imports	650
Change in business inventories	-65
Nondurable goods	1820

(6) Based on the above Table, compute the personal consumption expenditures
 Answer 5200 (Option – 2600; 3380; None of the above)

(7) Based on the above Table, compute the value for gross private domestic investment
 Answer 1105 (Option – 2600; 3380; None of the above)

(8) Based on the above Table, compute the value for net exports
 Answer: 390 (Option – 650; 1690; None of the above)

(9) Based on the above Table, compute the value of gross domestic product
 Answer 7995 (Option – 9750; 8125; None of the above)

(10) Based on the above Table, compute the value of government spending
 Answer 1300 (Option – 260; 780; None of the above)

	₹ billions
Depreciation	224
Receipts of factor income from the rest the world	168
Government purchases	560
Imports	280
Payments of factor income to the rest of the world	280
Net private domestic investment	1120
Personal income taxes	672
Personal consumption expenditures	3360
Dividends	112
Exports	336
Amount of national income not going to households	112

(11) Based on the above Table, compute the value of GDP

Answer 5320 (Option – 5152; 5096; None of the above)

(12) Based on the above Table, compute the value of GNP

Answer 5208 (Option – 5152; 5488; None of the above)

(13) Based on the above Table, compute the value of NNP

Answer 4984 (Option – 5096; 5264; None of the above)

(14) Based on the above Table, compute the value of National Income

Answer 5208 (Option – 5152; 5488; None of the above)

(15) Based on the above Table, compute the value of personal income

Answer: 4872 (Option – 4984; 5320; None of the above)

16) If GNP is Rs1200 billion, receipts of factor income from the rest of the world are Rs100 billion, and payments of factor income to the rest of the world are Rs60 billion, then GDP is

- A) Rs140 billion.
- B) Rs1160 billion.
- C) Rs1240 billion.
- D) None of the above.

Answer: B

17) Which of the following topic is not part of the macroeconomics

- A) Gross Domestic Product.
- B) Unemployment.
- C) The price of an apple.
- D) Inflation rate.

Answer: C

18) Personal income is national income minus

- A) depreciation.
- B) net factor income to the rest of the world.
- C) the amount of national income not going to households.
- D) imports.

Answer: C

19) Among the following countries, identify the country that has not witnessed hyperinflation

- A) France.
- B) Germany.
- C) South Africa.
- D) Brazil.

Answer: C

20) What was the highest inflation per month (%) in Zimbabwe as per the country's Central Statistical Office

- A) 309000.
- B) 2600.
- C) 104.
- D) None of the above.

Answer: B

21) At the official exchange rate on Dec 31, 2008 US\$1 traded for Z\$ (Zimbabwe dollar)

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- A) 436 billion.
 - B) 612 million.
 - C) 4 million.
 - D) None of the above.

Answer: C

22) The demand for oranges has increased in January without any change in supply. Seven months later the price of oranges has not changed. This is an example of a

- A) price floor.
- B) price control.
- C) sticky price.
- D) macroeconomic price.

Answer C

23) In general, an economic downturn is classified as a recession if the aggregate output declines for

- A) three consecutive quarters.
- B) two consecutive quarters.
- C) a year.
- D) six consecutive quarters.

Answer B

24) During the periods of recession or high unemployment if there is a rapid increase in the price level, it is known as

- A) stagflation.
- B) stagnation.
- C) depression.
- D) inflation.

Answer stagflation

25. Without using money, if a transaction is carried out by exchanging one good for another, then it is considered as

- A) liquidity transaction.
- B) Barter transaction
- C) deferred payment.
- D) black market exchange.

Answer: B

26. One of the major limitations that make the barter system more inefficient is that?

- A) Its cost of transaction is too low.
- B) The cost associated with information search is too low.
- C) It requires a double coincidence of wants.
- D) It requires high liquidity.

Answer C

27 Assume that you pay Rs40 for a bread packet, you are using money as a (n)

- A) store of value.
- B) investment good.
- C) medium of exchange.
- D) unit of account.

Answer C

28 When the sales man of a general store attaches price tags to his products, money is used as a

- A) medium of exchange.
- B) store of value.
- C) unit of transfer.
- D) unit of account.

Answer: D

29 If a currency, which is not backed by gold, silver, or any other precious commodity, is just equal to the face value of the money, then it is known as

- A) fake money.
- B) weak money.
- C) token money.
- D) commodity money.

Answer Token Money

30 Assume that a country called XX, in which the government tripled the money supply overnight. Following this government action, the price of a good increased from 1 unit to 100 units. This is an example of

- A) a change in the legal tender.
- B) a change from commodity money to fiat money.
- C) currency debasement.
- D) deflation.

Answer: C