**Answer all the questions: (2 x 10 = 20 marks)**

1. Suppose in a hypothetical economy, three goods are produced: Mango, Banana and Chicken.

The quantity of output and prices of mango, banana and chicken are given in the following Table.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Output | | | Price, Tk/Unit | | |
|  | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 |
| Mango | 120 | 130 | 140 | 35 | 40 | 45 |
| Banana | 500 | 530 | 550 | 6 | 7 | 8 |
| Chicken | 310 | 320 | 330 | 110 | 125 | 130 |

* 1. Define nominal and real GDP. Calculate the nominal GDP for the year 2014, 2015 and 2016. Suppose, 2014 is the base year, and then calculate the real GDP for the year 2014, 2015 and 2016. Define growth rate. Calculate the growth rate of real GDP for the year 2015 and 2016.
  2. Define GDP deflator. What does it measure? According to the GDP deflator, how much prices have increased for the year 2015 and 2016.

2. A consumer’s basket of goods for a hypothetical economy includes 4 Pizzas, 6 Pepsis and 8 Hamburgers. Use the Table below to answer the following questions. Take 2013 as the base year.

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Price of Pizza(Tk.) | Price of Pepsi(Tk.) | Price of Hamburger(Tk.) |
| 2011 | 120 | 60 | 100 |
| 2012 | 125 | 65 | 110 |
| 2013 | 130 | 70 | 115 |

1. Calculate the cost of the Consumer’s basket for each of the years given.
2. Calculate the CPI for each of the years given.
3. From the CPI, calculate the inflation rate for the year 2012 and 2013.

(d)Which one is a better measure of inflation, CPI or GDP deflator? Explain.

***End***