

AMERICAN INTERNATIONAL UNIVERSITY-BANGLADESH

Course Name: Principle of Economics
Final Assignment Total Marks: 20

1. Below are the data for Pizza and Cake market.

Year	Price (Pizza)	Quantity (Pizza)	Price (Cake)	Quantity (Cake)
2010	9	200	20	150
2011	10	300	22	200
2012	12	300	24	200

- a) Compute nominal GDP, real GDP, and the GDP deflator for each year, using 2010 as the base year. (5)
- b) Compute the percentage change in nominal GDP, real GDP, and the GDP deflator in 2011 and 2012 from the preceding year. (5)

2. The basket of the economy consists of **10 unit of DVD** and **13 unit of Laptop**.

Year	Price of DVD	Price of Laptop
2007 (Base Year)	50	20
2008	30	32
2009	90	44

- a) Compute the CPI of each year. (6)
- b) Compute the inflation rate for 2008 and 2009. (4)

3. a). Consider in an economy the total population is 170 million and 70% of the total population is not under adult population. Not in labor population is 17 million and total unemployed people are 18 million. Calculate labor force participation rate and total employment rate. (6)

- b). Explain four reasons for which a firm might pay efficiency wage. (4)

4. a) Consider a market of cake. Suppose, suddenly the price of pastry increase on the other hand due the price of butter (one of the ingredients) decrease. In such case, how these events will affect the market (demand and supply) equilibrium of cake? Explain with diagram. (5)

- b) Explain any four determinants that can shift the demand curve with relevant diagram (5)

5. a) Write the definition of GDP, GNP, NNP, National Income, Personal Income and Disposable Personal Income. (5)

- b) Write the definition of nominal interest and real interest rate. Calculate the inflation rate if nominal interest and real interest rate is 7% and 5% respectively. (5)