

**AMERICAN INTERNATIONAL UNIVERSITY-BANGLADESH**

**Course Name: Principle of Economics**

**Final quiz 2**

**Total Marks: 20**

**Time: 30**

**Name:**

**ID:**

**Date:**

Part A (Q1 to Q17) CLO 01  
Q18 is mapped with the CLO 03

**Part A: Multiple Choice Questions: Encircle/ Tick the letter that corresponds to the best answer.**

1. CPI is used to monitor-
  - a) Cost of Production
  - b) Opportunity cost
  - c) Cost of living
2. In case of CPI we consider the price goods
  - a) Produced in the economy
  - b) Goods of a specific basket
  - c) Basket with specific goods
  - d) None.
3. Inflation is –
  - a) Percentage change in CPI in 2 years
  - b) Change in price in any 2 years.
  - c) Percentage change of CPI from previous year.
  - d) None
4. GDP deflator and CPI has
  - a) Slight similarities
  - b) Slight differences
  - c) Opposite to each other
  - d) None of the above
5. -----Goods are not part of GDP
  - a) Domestic goods
  - b) Exported goods.
  - c) Imported goods.
  - d) None.
6. CPI value is-
  - a) Understated
  - b) Overstated
  - c) Not accurate
  - d) None
7. Which of the following is not calculated in CPI?
  - a) Introduction of qualified goods
  - b) Substitution bias
  - c) Quality changes
  - d) None

8. -----Is corrected for inflation
- a) Nominal interest rate
  - b) Real interest rate
  - c) GDP deflator
  - d) None.
9. In case of demand-pull inflation, it happens for-
- a) Excess supply
  - b) Excess demand
  - c) Shortage of demand
  - d) None
10. Hyperinflation is when inflation exceeds by -----in -----
- a) 30%, week
  - b) 50%, month
  - c) 20%, year
  - d) 50%, year

**Part B: Modified True and False: Write TRUE if the statement is correct and if the statement is FALSE underline the word(s) that makes it FALSE and write the correct under the marked words.**

11. .... The labour force consist of people who are only employed in the economy.
12. .... The CPI is not a perfect measure of cost of living.
13. .... At the contraction/ recession phase of business cycle price level is likely to increase.
14. .... If the equilibrium wage rate is lower than the minimum wage rate, the unemployment rate decrease.
15. .... Structural unemployment rate usually remains for short term period.

**Part C: (5 marks)**

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.