

## Exam 2/B Answer Sheet

Name: \_\_\_\_\_

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MQuestion	Answer	SQuestion	Answer
1.	<b>C</b>	1.	<b>71</b>
2.	<b>C</b>		
3.	<b>D</b>	2.	<b>131</b>
4.	<b>B</b>		
5.	<b>C</b>	3.	<b>207</b>
6.	<b>D</b>		
7.	<b>A</b>	4.	<b>71</b>
8.	<b>B</b>		
9.	<b>D</b>	5.	<b>85</b>
10.	<b>B</b>		
11.	<b>B</b>	6.	<b>99</b>
12.	<b>C</b>		
13.	<b>B</b>	7.	<b>19.72%</b>
14.	<b>B</b>		
15.	<b>C</b>	8.	<b>16.47%</b>
16.	<b>A</b>		
17.	<b>C</b>	9.	<b>3.55 years</b>
18.	<b>B</b>		
19.	<b>A</b>	10.	<b>4.25 years</b>
20.	<b>C</b>		

I have neither given nor received unauthorized assistance on this exam.

Signature: \_\_\_\_\_

## Exam 2/B

### Multiple Choice Questions

Read each question and the possible answer choices carefully, and write the letter associated with the correct answer into the appropriate bracket on your answer sheet.

1. Which of the following is NOT a factor of production?
  - a. Land
  - b. Entrepreneurship
  - c. **Profits**
  - d. Capital
2. What is the standard of living in a country if the real GDP is \$12 billion and the population is 3 million?
  - a. \$40,000
  - b. \$12 billion
  - c. **None of the above.**
  - d. Not enough information to determine.
3. The level of exports in an economy is \$2 million, household consumption is \$5 million, investment and government expenditure are \$2 million and \$1 million, respectively. What is the level of imports in this economy?
  - a. \$0 million
  - b. \$6 million
  - c. \$10 million
  - d. **Not enough information to determine.**
4. The GDP deflator is 110 and the nominal GDP is \$14.3 billion. What is the real GDP?
  - a. \$130 million
  - b. **\$13 billion**
  - c. \$15.73 billion
  - d. Not enough information to determine.
5. The price of the consumption basket in 2012 is \$200 and the price of the same basket in 2016 is \$250. If 2016 is the base year, what is the CPI in 2012?
  - a. 0.8
  - b. 1.25
  - c. **80**
  - d. 125

6. The nominal GDP in 2012 is \$5 billion and in 2013 it is \$10 billion. If the real GDP is \$4 billion in 2013 and 2012 is the base year, what is the inflation rate from 2012 to 2013?
- a. -150%
  - b. -1.5%
  - c. 1.5%
  - d. **150%**
7. In a country the price level is 104 in 2019, and the economy is undergoing a 4% deflation. What will be the price level in 2020?
- a. **99.84**
  - b. 100
  - c. 108
  - d. 108.16
8. The nominal GDP per capita is \$80,000, the real GDP per capita is \$50,000, and the nominal wage is \$32/hour. What is the real wage?
- a. \$0.2/hour
  - b. **\$20/hour**
  - c. \$51.2/hour
  - d. Not enough information to determine.
9. The real GDP in Year 1 is \$10 billion, and the growth rate of the economy is 5%. What is the nominal GDP in Year 2?
- a. \$0.5 billion
  - b. \$10.5 billion
  - c. None of the above.
  - d. **Not enough information to determine.**
10. The real GDP in Year 1 is \$5 billion, while the real GDP in Year 2 is \$4 billion. What is the growth rate of the economy?
- a. -25%
  - b. **-20%**
  - c. 20%
  - d. 25%
11. If the growth rate of the real GDP is 11.5% every year, at least how many years must pass for the size of the economy to double?
- a. 6 years
  - b. **7 years**
  - c. 70 years
  - d. 609 years

12. If the population of a country grows at a constant 14% rate and its real GDP grows at a constant 3.5% rate, how long will it take for the standard of living to double?
- a. 10 years
  - b. 20 years
  - c. The standard of living will never double.**
  - d. Not enough information to determine.
13. Which of the following is NOT a phase of the business cycle?
- a. Peak
  - b. Regression**
  - c. Trough
  - d. Expansion
14. If the potential GDP is \$3 billion, and the economy is at full employment, what is the level of the real GDP?
- a. Less than \$3 billion.
  - b. Exactly \$3 billion.**
  - c. More than \$3 billion.
  - d. Not enough information to determine.
15. Which of the following statements is FALSE about the production function?
- a. The production function is increasing.
  - b. The production function increases at a decreasing rate.
  - c. Neither of the above statements are false.**
  - d. Both above statements are false.
16. Which of the following individuals would be considered unemployed?
- a. Aaron who attended a job interview yesterday.**
  - b. Bob who is pursuing his graduate degree in nursing full-time.
  - c. Carl who started a new job last week.
  - d. None of the above individuals are unemployed.
17. The working age population of a country is 10 million and 6.4 million people are in the labor force. What is the labor force participation rate in this country?
- a. 0.64%
  - b. 36%
  - c. 64%**
  - d. Not enough information to determine.
18. The labor force participation rate is 80%, and the employment to population ratio is 76%. What is the unemployment rate?
- a. 4%
  - b. 5%**
  - c. 95%
  - d. Not enough information to determine

19. Which of the following changes would NOT impact the present full employment level of an economy?
- A disease decimates the over 65 population.**
  - The government raises the minimum wage.
  - Healthcare workers unionize.
  - All the above would impact the full employment level.
20. In a country the full employment level employment rate is 96%, the potential GDP is \$8 billion, and the real GDP is \$9 billion. Which of the following can NOT be the unemployment rate?
- 2%
  - 3%
  - 4%**
  - Not enough information to determine.

### Short Answer Questions

Consider the following scenario and write you answers to each question into the correct space on your answer sheet.

	Year 1	Year 2	Year 3
P(A)	5	7	9
Q(A)	11	13	15
P(B)	2	4	6
Q(B)	8	10	12

- What is the nominal GDP in Year 1?
- What is the nominal GDP in Year 2?
- What is the nominal GDP in Year 3?
- Using Year 1 as the base year, what is the real GDP in Year 1?
- Using Year 1 as the base year, what is the real GDP in Year 2?
- Using Year 1 as the base year, what is the real GDP in Year 3?
- Determine the growth rate of the economy between Year 1 and Year 2!
- Determine the growth rate of the economy between Year 2 and Year 3!
- Using the Rule of 70 and the growth rate from Year 2, how long will it take for the economy to double its size?
- Using the Rule of 70 and the growth rate from Year 3, how long will it take for the economy to double its size?