

1. The additional goods and services produced by women in the United States as their labor force participation increases represent (e.g. Jane produces water filter membranes for a company that produces reverse osmosis products)

- A. an increase in economic activity.
- B. a switch from market to non-market production.
- C. a switch from non-market to market production.
- D. a decrease in economic activity.

2. National defense services provided by the military are:

- A. included in GDP at market prices.
- B. included in GDP at cost.
- C. excluded from GDP because they are not sold in markets.
- D. excluded from GDP because they are intermediate goods.

3. Which of the following is an example of a final good?

- A. New computer software sold to a computer manufacturer for installation in new computers
- B. The services provided by lawyers to a computer manufacturer
- C. Computer chips sold to a computer manufacturer for installation in new computers
- D. A new computer sold to a business firm.

4. Which of the following is NOT a capital good?

- A. Batteries purchased by a car manufacturer to install in new cars
- B. Machines purchased by a car manufacturer to measure metal thicknesses
- C. A new house purchased by a family
- D. A new apartment building purchased by a corporation

5. If Bountiful Orchard grows \$100,000 worth of peaches, sells \$50,000 worth of peaches to consumers and uses the rest to make jam that is sold to consumers for \$100,000, Bountiful Orchard's contribution to GDP is:

- A. \$50,000.
- B. \$100,000.
- C. \$150,000.
- D. \$200,000.

150 000

6. Summing the value added of firms yields the value of final goods and services produced because both measures:

- A. exclude the value of capital goods.
- B. exclude the value of intermediate goods and services.
- C. use constant prices.
- D. are adjusted for population growth.

Suppose a jar of orange marmalade that is ultimately sold to a customer at The Corner Store is produced by the following production process:

Name of Company	Revenues	Cost of Purchased Inputs
Citrus Growers Inc.	\$0.75	0
Florida Jam Company	\$2.00	\$.75
The Corner Store	\$2.50	\$2.00

7. What is the value added of Citrus Growers Inc.?

- A. \$0.00
- B. \$0.50
- C. \$0.75
- D. \$1.25

$$\begin{aligned} \text{Revenue} &: \$0.75 \\ \text{Cost} &: \$0 \\ \text{VA} &= 0.75 \end{aligned}$$

8. What is the sum of the value added of all the firms?

- A. \$2.00
- B. \$2.50
- C. \$2.75
- D. \$4.50

$$\text{Final price} = \$2.50$$

9. If the oranges were grown and the jam produced in the year 2005, but the marmalade was sold at The Corner Store in the year 2006, what is the contribution of these transactions to GDP in the year 2005?

- A. \$0.00
- B. \$0.75
- C. \$2.00
- D. \$2.50

$$(0.75 - 0) + (2.00 - 0.75) = \boxed{\$2.00}$$

10. In the year, 2005 Janice Quinn sells a five-year-old car to Used Car, Inc. for \$3,000. In the same year, Used Car, Inc. resells the car to Ima Goner for \$3,500. What is the contribution of this transaction to GDP in the year 2005?

- A. \$0
- B. \$500
- C. \$3,000
- D. \$6,500

11. The market value of all domestically produced final goods and services is also equal to the total amount spent by _____ less spending on imported goods and services.

- A. households and firms
- B. households, firms, and governments
- C. households, firms, and the foreign sector
- D. households, firms, governments, and the foreign sector

12. Which of the following would increase the government purchases component of U.S. GDP?

- A. The U.S. federal government pays \$3 billion in pensions to government workers.
- B. The U.S. federal government pays \$3 billion in interest on the national debt.
- C. The U.S. federal government pays \$3 billion in salaries to soldiers in the military.
- D. The U.S. federal government pays \$3 billion in interest to foreign holders of U.S. government bonds.

13. Given the following data for an economy, compute the value of GDP.

Consumption expenditures	1,000	
Imports	600	
Government purchases of goods and services	700	
<input checked="" type="checkbox"/> Construction of new homes and apartments	500	
Sales of existing homes and apartments	600	
Exports	500	
Government payments to retirees	200	
Household purchases of durable goods	300	
<input checked="" type="checkbox"/> Beginning-of-year inventory	500	
End-of-year inventory	600	
<input checked="" type="checkbox"/> Business fixed investment	300	

$C = 1000$
 $I = 500 + 100 + 300$
 $G = 700$
 $NX = -100$
 ← already included in consumption expenditures
 $\text{Inventory} = 600 - 500 = 100$
 $\text{Net exports} = \text{Exports} - \text{Imports} = -100$
 $Y = 1000 + 900 + 700 - 100 = 2500$

- A. 2,400
- B. 2,500
- C. 2,600
- D. 2,700

14. An economy produces only 1,000,000 computers valued at \$2,000 each. Of these, 200,000 are sold to consumers, 300,000 are sold to businesses, 300,000 are sold to the government, and 100,000 are sold abroad. No computers are imported. The unsold computers at the end of the year are held in inventory by the computer manufacturers. What is the value of the investment component of GDP?

- A. \$0.3 billion
- B. \$0.4 billion
- C. \$0.6 billion
- D. \$0.8 billion

$\text{Inventory} = 100,000$
 $(300,000 + 100,000) \times 2000$

15. Despite some problems with equating GDP with economic well-being, real GDP per person does imply greater economic well-being because it tends to be positively associated with:

- A. crime, pollution, and economic inequality.
- B. better education, health and life expectancy.
- C. poverty, depletion of nonrenewable resources, and congestion.
- D. unemployment, availability of goods and services, and better education.