

10 minutes Quiz — ECON202
Department of Finance & Economics, CIM, KFUPM
Dr Reza F Aghdam
26 February 2008

Student's Name _____

ID No. _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) Macroeconomics is concerned with 1) _____
A) only long-run trends in economic activity.
B) only with changes in the overall price level.
C) only short-run fluctuations in the business cycle.
D) both long-run trends and short-term fluctuations in economic activity.
- 2) The major lesson of the circular flow diagram is that 2) _____
A) one person's expenditure is someone else's receipt.
B) saving must always equal investment.
C) taxes must equal government expenditures.
D) all of the above
- 3) Gross domestic product measured in terms of the prices of a fixed, or base, year is 3) _____
A) current GDP. B) real GDP. C) base GDP. D) nominal GDP.
- 4) A period during which aggregate output declines is known as 4) _____
A) a hyperinflation. B) a boom.
C) an inflation. D) a recession.
- 5) An expansion or boom is the period in the business cycle from a 5) _____
A) trough to a trough. B) peak down to a trough.
C) peak to a peak. D) trough up to a peak.
- 6) Double counting can be avoided by counting only 6) _____
A) the value added to a product by each firm in the production process.
B) the value of goods and services firms sell.
C) the value of intermediate goods in production.
D) the value of goods that a firm has in its inventory.
- 7) When calculating GDP by the expenditure method, exports are _____ and imports are _____ 7) _____
A) added; subtracted B) subtracted; added
C) subtracted; subtracted D) added; added
- 8) If GDP is £500 billion, receipts of factor income from the rest of the world are £25 billion, and payments of factor income to the rest of the world are £10 billion, then GNP is 8) _____
A) £465 billion. B) £535 billion. C) £515 billion. D) £485 billion.

15 minutes Quiz -- ECON202
Department of Finance & Economics, CIM, KFUPM
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10 March 2008

Student's Name _____

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MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) A variable whose value is determined independently of the model of which it is a part is termed a/an _____ variable. 1) _____
A) endogenous B) exogenous C) control D) performance
- 2) If income is zero, consumption in the short term will normally be 2) _____
A) greater than zero. B) either greater than or less than zero.
C) less than zero. D) zero.
- 3) In the equation $C = a + bY$, which describes the aggregate consumption function, "a" stands for 3) _____
A) marginal propensity to consume.
B) the amount of consumption when income is zero.
C) autonomous consumption.
D) B and C.
- 4) When Richard's income is £20,000 he saves £500 and when his income increases to £21,000 he saves £700. His MPS is 4) _____
A) .2. B) .33. C) .29. D) .25.

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

- 5) As the MPC increases, what happens to the size of the multiplier? Why? 5) _____
- 6) For each of the following indicate if the change would lead to an increase or decrease in the equilibrium level of output. Explain each of your answers. 6) _____
a. Planned investment increases
b. Consumers become pessimistic about the future of the economy
c. Interest rates fall
d. The proportion of income that is saved increases

Quiz#4; Date: 15/03/08; Time: 15 minutes.

Student Name: _____

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The following structural functions are assumed about an economy:

$$C = 500 + 0.8y_d$$

$$I = 1,200$$

$$T = 0.1y$$

$$G = 900$$

$$X = 1,200$$

$$M = 0.1y$$

Where C is consumption expenditure, I is investment expenditure, T is tax, G is government spending, X is export, and M is import.

- a) Determine equilibrium income.
- b) If government decides to follow a balanced budget policy, determine the level of government spending and the new equilibrium income.
- c) Determine the value of income multiplier in case (a) and (b). What these multipliers imply?

Quiz #5
26 April 2008

Student Name: _____

Student ID: _____

1. In the last century, most economists believed that money was neutral and so a change in the money supply would:

- A. affect the allocation of society's scarce resources among different productive uses
- B. affect the general price level but not relative prices
- C. affect relative prices but not the general price level
- D. affect both the money and real sectors of the economy

2. A common definition of money is that it is:

- A. both paper currency and coins in circulation
- B. gold and silver coins and certificates
- C. U.S. dollars
- D. an accepted medium of exchange

3. All of the following are primary functions of money except:

- A. to serve as a unit of account
- B. to serve as a medium of exchange
- C. to stimulate people to save
- D. to serve as a store of value

4. When you work during the summer and put your earnings into a savings account in order to pay for college tuition, money is:

- A. serving as a store of value
- B. serving as a unit of account
- C. serving as a medium of exchange
- D. serving as a standard of value

5. According to Gresham's law, if an economy uses only gold and silver coins as its money and gold has a higher non-monetary value than silver, but both have the same face value, then:

- A. the monetary value of the two types of coins must be the same even though their non-monetary value differs
 - B. silver coins will not be used because of their lower non-monetary value
 - C. gold coins will be taken out of circulation because of their higher non-monetary value
 - D. silver coins will be taken out of circulation and will be replaced with a paper currency or note
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Quiz #6
14 May 2008

Student Name: _____
Student ID: _____

- 1 Other things constant, if there is a decrease in short run aggregate supply and the supply curve shifts upward, then we would expect:
- A) an off-setting decrease in aggregate demand
 - B) some changes in the consumption component of aggregate demand
 - C) an increase in the overall level of employment
 - D) the general price level to increase
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- 2 Assume that the economy is operating at its potential level of national income when foreign oil prices rise sharply. This supply shock will cause the short run aggregate supply to shift upward. If there is no monetary accommodation of the resulting inflation:
- A) there will be a rightward shift of the aggregate demand curve
 - B) the short run aggregate supply curve will shift back downward
 - C) there will be a significant increase in real income
 - D) there will be an overall decrease in aggregate demand and the curve will shift
-
- 3 Should the monetary authorities decide to respond to a single supply shock by accommodating it, we would expect:
- A) an increase in the overall cost of production, the general price level, and the money supply
 - B) an increase in the overall cost of production, no change in the general price level, and an increase in the money supply
 - C) the difference between actual and potential GNP will diminish
 - D) an increase in the money supply but no increases in either the price level or the cost of production
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- 4 If there is an inflationary gap and the price level changes, then this change is known as:
- A) price-push inflation
 - B) moderate inflation
 - C) structural inflation
 - D) demand-induced inflation
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- 5 Economists often speak of a validated inflation. The term validated refers to:
- A) official estimates of the rate of inflation
 - B) the difference between the rate of increase in nominal incomes and the rate of increase in real income
 - C) the fact that the money supply is expanding at the same rate as the price level
 - D) the fact rational expectations have entered into the inflationary process
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- 6 Suppose that the aggregate demand curve shifts to the right and there is no monetary validation of the resulting price level increase. Which one of the following is least likely to occur?
- A) real national income will eventually return to its potential level
 - B) the short run aggregate supply curve will shift downward to the right
 - C) aggregate equilibrium will be established at a higher price level
 - D) an inflationary gap will open up