

Instructions:

33 multiple-choice questions, each with 4 responses

Students need to bring: (1) Sanddollar ID card; (2) scantron Form 882-E; (3) pencil; (4) calculator (optional)

Chapter 12

- ✓ Government sources of income
- ✓ Government budget balance
- ✓ Average vs marginal tax rates
- ✓ Tax systems – efficiency vs equity
- ✓ Sources of tax receipts and government spending
- ✓ Arguments for and against progressive taxation
- ✓ Tax incidence
- ✓ Social security

Chapter 23

- ✓ Circular flow diagram
- ✓ National income accounting identity
- ✓ GDP and its definition
- ✓ Expenditure vs income approach
- ✓ Nominal vs real GDP
- ✓ Business cycles
- ✓ GDP as a measure of well-being
- ✓ GDP as a measure of economic growth

Chapter 24

- ✓ Price indices
- ✓ CPI and its problems
- ✓ Nominal vs real interest rate
- ✓ CPI vs GDP deflator
- ✓ Adjusting prices through time

Chapter 25

- ✓ Productivity
- ✓ Diminishing returns
- ✓ Production functions and the catch up effect/convergence hypothesis
- ✓ FDI
- ✓ Factors affecting growth in developing countries

Chapter 28

- ✓ Unemployment rate
- ✓ Labor force participation rate
- ✓ Stock vs flow variables
- ✓ Types of unemployment
- ✓ Natural rate of unemployment

Test 2 Examples

Multiple Choice

Identify the choice that best completes the statement or answers the question.

- _____ 1. Which of the following is *not* an example of a nondurable good?
- a loaf of bread
 - a pair of jeans
 - a microwave
 - a pound of bacon
- _____ 2. Social Security payments are
- included in GDP because they represent current income.
 - included in GDP because they represent potential consumption.
 - excluded from GDP because they are not private pensions.
 - excluded from GDP because they do not reflect the economy's production.
- _____ 3. If real GDP doubles and the GDP deflator doubles, then nominal GDP
- remains constant.
 - doubles.
 - triples.
 - quadruples.

Table 24-3

The table below pertains to Studious, an economy in which the typical consumer's basket consists of 5 books and 10 calculators.

Year	Price of a Book	Price of a Calculator
2006	\$24	\$8
2007	\$30	\$12
2008	\$32	\$15

- _____ 4. **Refer to Table 24-3.** If 2006 is the base year, then the consumer price index was
- 100 in 2006, 135 in 2007, and 155 in 2008.
 - 100 in 2006, 270 in 2007, and 310 in 2008.
 - 200 in 2006, 135 in 2007, and 155 in 2008.
 - 200 in 2006, 270 in 2007, and 310 in 2008.
- _____ 5. The consumer price index was 225 in 2008 and 232.2 in 2009. The nominal interest rate during this period was 6.5 percent. What was the real interest rate during this period?
- 1.6 percent
 - 3.3 percent
 - 5.1 percent
 - 7.4 percent
- _____ 6. In one day Portal Computer Company made 400 laptops with 1200 hours of labor. What was its productivity?
- 1/3 laptop per hour
 - 3 hours per laptop

- c. 1200 laptops
- d. 400 laptops

- ___ 7. Adam and Doug both build birdhouses. Adam works 20 hours a week and produces 12 bird houses. Doug works 30 hours a week and produces 15 bird houses. Which of the following is correct?
- a. Adam's production and productivity are higher than Doug's.
 - b. Adam's production is higher than Doug's, but Doug's productivity is higher than Adam's.
 - c. Doug's production is higher than Adam's, but Adam's productivity is higher than Doug's.
 - d. Doug's production and productivity are higher than Adam's.
- ___ 8. Which of the following would be considered physical capital?
- a. the available knowledge on how to make semiconductors
 - b. a taxi-cab driver's knowledge of the fastest routes to take
 - c. bulldozers, backhoes and other construction equipment
 - d. All of the above are correct.
- ___ 9. Country A and country B both increase their capital stock by one unit. Output in country A increases by 15 while output in country B increases by 12. Other things the same, diminishing returns implies that country A is
- a. richer than Country B. If Country A adds another unit of capital, output will increase by more than 15 units.
 - b. richer than Country B. If Country A adds another unit of capital, output will increase by less than 15 units.
 - c. poorer than Country B. If Country A adds another unit of capital, output will increase by more than 15 units.
 - d. poorer than Country B. If Country A adds another unit of capital, output will increase by less than 15 units.
- ___ 10. The Bureau of Labor Statistics places people in the "employed" category if they
- a. are without a job, but are available for work and have tried to find a job during the previous 4 weeks.
 - b. work without pay in a family member's business.
 - c. are waiting to be recalled to a job from which they had been laid off.
 - d. All of the above are correct.

Table 28-1

Labor Data for Aridia

Year	2010	2011	2012
Adult population	2000	3000	3200
Number of employed	1400	1300	1600
Number of unemployed	200	600	200

- ___ 11. **Refer to Table 28-1.** The labor force of Aridia in 2011 was
- a. 1300.
 - b. 1900.
 - c. 2400.
 - d. 3000.

- _____ 12. **Refer to Table 28-1.** The labor-force participation rate of Aridia in 2011 was
- a. 43.3%.
 - b. 54.2%.
 - c. 63.3%.
 - d. 68.4%.

**Test 2 Examples
Answer Section**

MULTIPLE CHOICE

1. ANS: C PTS: 1 DIF: 2 REF: 23-3
NAT: Analytic LOC: The study of economics and definitions in economics
TOP: Nondurable goods MSC: Applicative
2. ANS: D PTS: 1 DIF: 2 REF: 23-3
NAT: Analytic LOC: The study of economics and definitions in economics
TOP: Transfer payments MSC: Applicative
3. ANS: D PTS: 1 DIF: 2 REF: 23-4
NAT: Analytic LOC: The study of economics and definitions in economics
TOP: Nominal GDP MSC: Applicative
4. ANS: A PTS: 1 DIF: 2 REF: 24-1
NAT: Analytic LOC: The study of economics and definitions in economics
TOP: CPI MSC: Applicative
5. ANS: B PTS: 1 DIF: 3 REF: 24-2
NAT: Analytic LOC: The study of economics and definitions in economics
TOP: Real interest rate MSC: Analytical
6. ANS: A PTS: 1 DIF: 2 REF: 25-2
NAT: Analytic LOC: Productivity and growthTOP: Productivity
MSC: Applicative
7. ANS: C PTS: 1 DIF: 1 REF: 25-2
NAT: Analytic LOC: The study of economics and definitions in economics
TOP: Productivity MSC: Applicative
8. ANS: C PTS: 1 DIF: 2 REF: 25-2
NAT: Analytic LOC: The study of economics and definitions in economics
TOP: Technology | Human capital | Physical capital MSC: Interpretive
9. ANS: D PTS: 1 DIF: 2 REF: 25-3
NAT: Analytic LOC: The study of economics and definitions in economics
TOP: Diminishing returns MSC: Analytical
10. ANS: B PTS: 1 DIF: 2 REF: 28-1
NAT: Analytic LOC: The study of economics and definitions in economics
TOP: Employment MSC: Interpretive
11. ANS: B PTS: 1 DIF: 2 REF: 28-1
NAT: Analytic LOC: The study of economics and definitions in economics
TOP: Labor force MSC: Applicative
12. ANS: C PTS: 1 DIF: 2 REF: 28-1
NAT: Analytic LOC: The study of economics and definitions in economics
TOP: Labor-force participation rate MSC: Applicative