

MODULE 11 GDP PRACTICE PROBLEMS

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AP Macroeconomics

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PROBLEM 1

The GNP of a country is greater than its GDP if:

- A. Exports are greater than Imports
- B. Imports are greater than Exports
- C. Imports are equal to Exports
- D. Prices are falling
- E. Prices are rising

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PROBLEM 2

An increase in the National Income at constant prices is also known as:

- A. Increases in Real National Income
- B. Real increase in National Income
- C. Real increases in Per Capita Income
- D. Nominal increase in Per Capita Income
- E. Increase in Per Capita Income in real terms

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PROBLEM 3

Welfare is improved when with a rise in Per Capita Income:

- A. The overall income distribution remains the same
- B. The income distribution changes in favor of the industrial labor
- C. The income distribution changes in favor of the rich
- D. The income distribution changes in favor of the poor
- E. None of the above

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PROBLEM 4

The Income of employees in a foreign bank operating in USA become a part of:

- A. Property income earned from abroad by US banks
- B. Compensation of employees taken as the normal residence of USA
- C. Domestic factor income of USA
- D. Factor income earned from abroad by USA
- E. None of these

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PROBLEM 5

GNP includes the purchase of a new house under:

- A. Investment
- B. Personal Savings
- C. Personal Consumption Expenditure
- D. Capital Consumption Allowance
- E. Capital Expenditure

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PROBLEM 6

Which of the following would be included in the sum of GDP?

- A. Smuggled goods
- B. Income from gambling
- C. Income earned from the sale of illegal arms
- D. Interest earned
- E. Money generated from the trafficking of drugs

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PROBLEM 7

In the definition of GDP, the words "total market value" refer to total:

- A. Dollar value at base prices.
- B. Dollar value at current prices.
- C. Subjective value.
- D. Objective value.
- E. A and D

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PROBLEM 8

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The three ways of measuring Gross Domestic Product are the ____ approach, the ____ approach and the ____ approach.

- A. expenditure; income; value-added
- B. expenditure; national product; circular flow
- C. national product; income; net national product
- D. real gross domestic product; nominal gross domestic product; gross national product

PROBLEM 9

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Which of the following illustrates double counting?

- A. The total market value of the steel used to produce a car and the total market value of the car itself are summed.
- B. The total market value of tennis rackets and the total market value of tennis balls are summed.
- C. The total market value of picture frames and the total market value of camera film are summed.
- D. The total market value of eyeglasses and the total market value of carpet are summed.
- E. B and C

PROBLEM 10

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Which of the following is counted in GDP?

- A. The purchase of 100 shares of IBM stock
- B. The services of a real estate broker
- C. The consumption of leisure by people
- D. The sale of a used car
- E. None of the above

PROBLEM 11

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Which of the following would *not* be included in the calculation of this year's GDP?

- A. A headlight bulb purchased at Joe's Auto Supply by Susan to replace a burnt out bulb in her car
- B. A headlight bulb purchased by Ford Motor Co. from a supplier
- C. A headlight bulb produced but not sold this year and thus ending up as inventory
- D. None of the above, i.e., all would be included
- E. None would be included

PROBLEM 12

Tim just bought shares of stock in Amazon.com for \$1,000 and paid a \$45 commission to his broker. How did this affect GDP?

- A. It had no impact on GDP.
- B. GDP increased by \$45.
- C. GDP increased by \$955.
- D. GDP increased by \$1,000.

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PROBLEM 13

Which of the following is a nonmarket good?

- A. The corn you grow in your home garden and consume
- B. The clothes you sew and sell to a neighbor who pays by check
- C. The self-portrait hanging in your den
- D. A and C
- E. None of these

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PROBLEM 14

Suppose the total market value of all final goods and services produced this year in economy X is \$4 million. Of the \$4 million worth of goods, \$3 million is sold and \$1 million is held in inventory. For this year, the GDP for economy X is:

- A. \$4 million.
- B. \$3 million.
- C. \$1 million.
- D. \$7 million.
- E. none of the above

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PROBLEM 15

Depreciation refers to a decrease in the value of a good caused by:

- A. An increase in the price level.
- B. A decrease in the price level.
- C. "Wear and tear" of capital goods over time.
- D. The depreciation allowance.
- E. A decrease in purchasing power.

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