

**quzzch10MacPrin****Multiple Choice**

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

- \_\_\_\_\_ 1. Which of the following is the correct definition of GDP?
- the market value of all goods produced within a country
  - the market value of all final goods and services produced by the citizens of a country
  - the market value of all final goods and services produced within a country
  - None of the above are correct.
- \_\_\_\_\_ 2. Robert works as a lawyer.
- GDP computations should be made using his income from providing legal services, not his production of legal services.
  - GDP computations should be made using his production, not his income from providing legal services.
  - GDP computations should include both his income and his production.
  - GDP computations should include either his income or his production, but not both.
- \_\_\_\_\_ 3. GDP
- includes the value of intermediate goods so we can get a measure of sales.
  - excludes the value of intermediate goods because they are too difficult to measure.
  - excludes the value of intermediate goods because their value is already counted in the value of final goods.
  - None of the above are correct.
- \_\_\_\_\_ 4. Suppose that an apartment complex converts to a condominium where the renters are now owners of their former apartments.
- The rent was included in GDP; the purchases of the condominiums are not.
  - The rent was included in GDP, and so is the purchase of the condominiums.
  - The rent was not included in GDP; the purchases of the condominiums are.
  - Neither the rent of the apartments nor the purchases of the condominium are included in GDP.
- \_\_\_\_\_ 5. The local Chevrolet dealership has an increase in inventory of 25 cars in 2003. In 2004 it sells all 25 cars.
- The value of increased inventory will be counted as part of GDP in 2003, but the value of the cars sold in 2004 will not cause GDP to increase.
  - The value of the increased inventory will not affect 2003 GDP, but will be included in 2004 GDP.
  - The value of the increased inventory will be counted as 2003 GDP and the value of the cars sold in 2004 will increase 2004 GDP.
  - None of the above are correct.
- \_\_\_\_\_ 6. An Italian company opens a pasta company in the U.S. The profits from this pasta company are included in
- both U.S. and Italian GNP.
  - both U.S. and Italian GDP.
  - U.S. GDP and Italian GNP.
  - U.S. GNP and Italian GDP.

- \_\_\_\_\_ 7. Social Security payments are
- included in GDP because they represent payment for work performed in the past.
  - included in GDP because they represent potential consumption.
  - excluded from GDP because they do not represent current government purchases of goods and services.
  - excluded from GDP because they are not private pensions.
- \_\_\_\_\_ 8. If in a given year an economy has consumption of \$3000, investment of \$2000, government purchases of \$1500, exports of \$500, imports of \$600, taxes of \$1200, transfer payments of \$400, and depreciation of \$300, then GDP will equal
- \$6400.
  - \$7000.
  - \$7600.
  - \$8900.
  - \$9500.
- \_\_\_\_\_ 9. Suppose that Wisconsin produces cheese and fish. In 2002, 20 units of cheese are sold at \$5 each, and 8 units of fish are sold at \$50 each. In 2001, the base year, the price of cheese was \$10 per unit, and the price of fish was \$75 per unit.
- Nominal 2002 GDP is \$800, real 2002 GDP is \$500, and the GDP deflator is 160.
  - Nominal 2002 GDP is \$500, real 2002 GDP is \$800, and the GDP deflator is 160.
  - Nominal 2002 GDP is \$500, real 2002 GDP is \$800, and the GDP deflator is 62.5.
  - Nominal 2002 GDP is \$800, real 2002 GDP is \$500, and the GDP deflator is 62.5.

**quzzch10MacPrin  
Answer Section****MULTIPLE CHOICE**

- |    |                        |        |                    |
|----|------------------------|--------|--------------------|
| 1. | ANS: C<br>OBJ: TYPE: M | DIF: 1 | REF: SECTION: 10.2 |
| 2. | ANS: D<br>OBJ: TYPE: M | DIF: 1 | REF: SECTION: 10.1 |
| 3. | ANS: C<br>OBJ: TYPE: M | DIF: 1 | REF: SECTION: 10.2 |
| 4. | ANS: A<br>OBJ: TYPE: M | DIF: 2 | REF: SECTION: 10.2 |
| 5. | ANS: A<br>OBJ: TYPE: M | DIF: 2 | REF: SECTION: 10.2 |
| 6. | ANS: C<br>OBJ: TYPE: M | DIF: 2 | REF: SECTION: 10.2 |
| 7. | ANS: C<br>OBJ: TYPE: M | DIF: 1 | REF: SECTION: 10.3 |
| 8. | ANS: A<br>OBJ: TYPE: M | DIF: 2 | REF: SECTION: 10.3 |
| 9. | ANS: C<br>OBJ: TYPE: M | DIF: 2 | REF: SECTION: 10.4 |