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?
   a. the market value of all goods produced within a country
   b. the market value of all final goods and services produced by the citizens of a country
   c. the market value of all final goods and services produced within a country
   d. None of the above are correct.

___ 2. Robert works as a lawyer.
   a. GDP computations should be made using his income from providing legal services, not his production of legal services.
   b. GDP computations should be made using his production, not his income from providing legal services.
   c. GDP computations should include both his income and his production.
   d. GDP computations should include either his income or his production, but not both.

___ 3. GDP
   a. includes the value of intermediate goods so we can get a measure of sales.
   b. excludes the value of intermediate goods because they are too difficult to measure.
   c. excludes the value of intermediate goods because their value is already counted in the value of final goods.
   d. 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.
   a. The rent was included in GDP; the purchases of the condominiums are not.
   b. The rent was included in GDP, and so is the purchase of the condominiums.
   c. The rent was not included in GDP; the purchases of the condominiums are.
   d. 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.
   a. 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.
   b. The value of the increased inventory will not affect 2003 GDP, but will be included in 2004 GDP.
   c. 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.
   d. 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
   a. both U.S. and Italian GNP.
   b. both U.S. and Italian GDP.
   c. U.S. GDP and Italian GNP.
   d. U.S. GNP and Italian GDP.
7. Social Security payments are
   a. included in GDP because they represent payment for work performed in the past.
   b. included in GDP because they represent potential consumption.
   c. excluded from GDP because they do not represent current government purchases of goods and services.
   d. 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
   a. $6400.
   b. $7000.
   c. $7600.
   d. $8900.
   e. $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.
   a. Nominal 2002 GDP is $800, real 2002 GDP is $500, and the GDP deflator is 160.
   b. Nominal 2002 GDP is $500, real 2002 GDP is $800, and the GDP deflator is 160.
   c. Nominal 2002 GDP is $500, real 2002 GDP is $800, and the GDP deflator is 62.5.
   d. Nominal 2002 GDP is $800, real 2002 GDP is $500, and the GDP deflator is 62.5.
### MULTIPLE CHOICE

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