

- b. the production function.
 - c. the capital accumulation function.
 - d. the proprietary function.
 - e. human capital.
25. When a firm produces consumer goods and adds some to inventory rather than selling it. It is
- a. counted in the current quarter GDP as investment.
 - b. counted in the current quarter GDP as a statistical discrepancy.
 - c. not counted in the current quarter GDP.
 - d. counted in the current quarter GDP as consumption.
26. Flour is
- a. always counted as an intermediate good.
 - b. counted as an intermediate good if it is used by a company to make bread.
 - c. counted as a final good if it is used by a consumer who bakes bread for his own consumption.
 - d. Both b and c are correct.
 - e. Both a and b are correct.
27. Disposable personal income is the income that
- a. households and businesses have left after paying taxes and non-tax payments to the government.
 - b. businesses have left after paying taxes and non-tax payments to the government.
 - c. households have left after paying taxes and non-tax payments to the government.
 - d. households and non corporate businesses have left after paying taxes and non-tax payments to the government.
28. When the relative price of a good increases, consumers will respond by buying
- a. more of it and less of its substitutes.
 - b. more of it and its substitutes.
 - c. less of it and its substitutes.
 - d. less of it and more of its substitutes.
29. If the prices of Australian-made shoes imported into Canada increase,
- a. neither the GDP deflator nor the consumer price index will increase.
 - b. both the GDP deflator and the consumer price index will increase.
 - c. the GDP deflator will increase but the consumer price index will not increase.
 - d. the consumer price index will increase, but the GDP deflator will not increase.
30. Which of the following is included in GDP?
- a. the sale of used goods
 - b. the sale of services such as visits to a doctor
 - c. the sale of stocks and bonds
 - d. All of the above are correct.
31. The substitution bias in the consumer price index refers to the
- a. substitution of quality for quantity in consumer purchases over time.
 - b. substitution of new goods for old goods in the purchases of consumers.
 - c. substitution of new prices for old prices in the basket of goods from one year to the next.
 - d. fact that consumers substitute toward goods that have become relatively less expensive.
32. Productivity
- a. explains most of the differences across countries in the standard of living.