

$$\begin{array}{r} 1. \\ 6 \overline{) 100} \\ \underline{6} \\ 40 \end{array}$$

- _____ 40. A country reported a nominal GDP of \$115 billion in 2012 and \$125 billion in 2011 and reported a GDP deflator of 85 in 2012 and 100 in 2011. What happened to real output and prices from 2011 to 2012?
- a. Real output and prices both rose.
 - b. Real output fell and prices rose.
 - c. Real output rose and prices fell.
 - d. Real output and prices both fell.
- _____ 41. Laurie works 8 hours and produces 7 units of goods per hour. Iris works 6 hours and produces 10 units of goods per hour. Which of the following can we conclude?
- a. Laurie's productivity and output are greater than Iris's.
 - b. Laurie's productivity is greater than Iris's, but Laurie's output is less.
 - c. Iris's productivity and output are greater than Laurie's.
 - d. Iris's productivity is greater than Laurie's, but Iris's output is less.
- _____ 42. When the quality of a good improves, what happens to the purchasing power of the dollar?
- a. It increases, so the CPI overstates the change in the cost of living if the quality change is not accounted for.
 - b. It increases, so the CPI understates the change in the cost of living if the quality change is not accounted for.
 - c. It decreases, so the CPI overstates the change in the cost of living if the quality change is not accounted for.
 - d. It decreases, so the CPI understates the change in the cost of living if the quality change is not accounted for.
- _____ 43. Ms. Smith borrowed \$1000 from her bank for one year at an interest rate of 10 percent per year. During that year the price level went up by 15 percent. Who loses and who gains because of the unexpected inflation?
- a. Ms. Smith loses 5 percent, but the bank gains 5 percent.
 - b. Ms. Smith gains 5 percent, but the bank loses 5 percent.
 - c. Ms. Smith loses 10 percent, but the bank gains 5 percent.
 - d. Ms. Smith gains 10 percent, but the bank loses 5 percent.
- _____ 44. Which of the following examples will increase Canadian net exports?
- a. A Canadian resident buys a skateboard manufactured in Canada by a German firm.
 - b. A U.S. resident buys a Blackberry manufactured in Canada.
 - c. A Canadian resident buys a souvenir in Paris. \times
 - d. A Canadian resident buys Microsoft shares. \times

$$\frac{7}{8} \quad \frac{10}{6} =$$

$$10 - 15 = -5\%$$