

PASS MOCK EXAM

– FOR PRACTICE ONLY –

Course: ECON 1000AV

Facilitator: Hilary Martin

Take Ups: Monday, February 23 and Tuesday, February 24. ML 402, 10:00am-11:30am.

It is **most beneficial** to you to write this mock midterm **UNDER EXAM CONDITIONS**. This means:

- Complete the midterm in 1 hour.
- Work on your own.
- Keep your notes and textbook closed.
- Attempt every question.

After the time limit, go back over your work with a different colour or on a separate piece of paper and try to do the questions you are unsure of. Record your ideas in the margins to remind yourself of what you were thinking when you take it up at PASS.

The purpose of this mock exam is to give you practice answering questions in a timed setting and to help you to gauge which aspects of the course content you know well and which are in need of further development and review. Use this mock exam as a **learning tool** in preparing for the actual exam.

Please note:

- Come to the PASS session with your mock exam complete. There, you can work with other students to review your work.
- Often, there is not enough time to review the entire exam in the PASS session. Decide which questions you most want to review – the Facilitator may ask students to vote on which questions they want to discuss.
- Facilitators do not bring copies of the mock exam to the session. Please print out and complete the exam before you attend.
- **Facilitators do not produce or distribute an answer key for mock exams.** Facilitators help students to work together to compare and assess the answers they have. If you are not able to attend the PASS session, you can work alone or with others in the class.

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1. Which of the following statements is true:
 - a. Real GDP is the total market value of all final goods and services produced in Canada in the current year at base year prices
 - b. Buying stock in a company is an example of investment spending
 - c. Social security and welfare are examples of infrastructure spending
 - d. Nominal GDP is the total market value of all final goods and services produced in Canada in the current year at base year prices
 - e. All of the above
2. Which of the following is not counted towards Canadian GDP:
 - a. Julien buys a couch at the Great Glebe Garage Sale
 - b. A GM plant in Windsor produces a new car
 - c. The GM plant does not sell all of its current year models
 - d. Kettleman's buys a new woodstove
3. If real GDP rises, it could be because:
 - a. Prices have risen
 - b. Quantity of output has risen
 - c. New goods have been used in the baskets
 - d. Higher than expected inflation has occurred
4. The GDP deflator:
 - a. Measures the yearly change in GDP and is calculated by dividing the nominal GDP by the real GDP, x100
 - b. Measures the yearly change in GDP and is calculated by dividing the real GDP by the nominal GDP, x100
 - c. Measures the price level and is calculated by dividing the nominal GDP by the real GDP, x100
 - d. Measures the prices level and is calculated by dividing the real GDP by the nominal GDP, x100
5. Which of the following would be counted as Canadian GDP and GNP:
 - a. A Canadian student on exchange in the UK buys a car.
 - b. A Japanese-owned car manufacturer builds 1000 new cars in Southern Ontario.
 - c. A Canadian-owned chain of hardware stores does not sell its stock of lumber.
 - d. Hilary goes on vacation to Cuba and brings back souvenirs for her friends.
6. If the CPI base year basket is \$1000, and the next year's basket costs \$1200:
 - a. The quantity of goods purchased has risen by 20%
 - b. The price level has risen by 20%
 - c. Consumers' tastes have not changed
 - d. Real prices have not changed
7. The CPI tends to _____ the cost of living for the following reasons:
 - a. Understate, commodity exchange bias, new goods, quality change
 - b. Overstate, commodity substitution bias, new goods, quantity change
 - c. Understate, commodity substitution bias, new goods, quality change
 - d. Overstate, commodity substitution bias, new goods, quality change

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8. The price of apple juice rises relative to the price of orange juice, and orange juice sales rise while apple juice sales fall. This is an example of:
 - a. Increased demand
 - b. Price level effects
 - c. Inflation
 - d. Commodity substitution
9. The CPI differs from the GDP deflator as a measure of the price level because:
 - a. CPI uses a fixed basket and fixed prices
 - b. CPI uses all new goods produced and current prices
 - c. CPI uses a fixed basket of domestic goods
 - d. CPI uses a fixed basket of goods bought by Canadians
10. If the real interest rate is 3%, and inflation is 4%, the nominal interest rate is:
 - a. 1%
 - b. -1%
 - c. 7%
 - d. 4%
11. If inflation is higher than expected and benefits are not indexed, who loses?
 - a. Borrowers and retirees
 - b. Borrowers and lenders
 - c. Lenders and retirees
 - d. Borrowers
 - e. Lenders
12. In order for Malthus's theory to hold, an increase in production per worker results in:
 - a. A higher standard of living
 - b. Wages and population falling
 - c. Wages rising and population increasing
 - d. Wages eventually falling and population rising
13. Which of the following does not necessarily improve productivity?
 - a. Education
 - b. New innovations
 - c. Contract law
 - d. Population growth
 - e. Natural resources
14. Japan's rapid growth relative to other richer countries after WWII is an example of:
 - a. The catch up effect
 - b. Increasing returns to scale
 - c. Diminishing marginal returns to scale
 - d. New technology
15. _____ are usually needed to encourage research and development:
 - a. Government saving incentives
 - b. Property rights
 - c. Research grants

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- d. All of the above
 - e. B & C
16. Which of the following represents private saving:
- a. T-G
 - b. Y-T-C
 - c. Y-C-G
 - d. C-T-Y
17. Which of the following represents national saving:
- a. Y-C-G
 - b. T-G
 - c. S-T-C
 - d. C-G-T
18. If saving exceeds investment demand, the interest rate will:
- a. Rise
 - b. Fall
 - c. Shift left
 - d. Shift right
19. If the government increases taxes, public saving will _____ and national saving will likely _____
- a. Rise, rise
 - b. Rise, fall
 - c. Fall, fall
 - d. Fall, rise
20. If the government runs a budget deficit, _____ will fall and the interest rate will _____:
- a. National saving, fall
 - b. Private saving, rise
 - c. National saving, rise
 - d. Public saving, fall
21. Investment incentives shift _____ and _____ the interest rate
- a. Investment demand out, decrease
 - b. Investment demand in, increase
 - c. Savings out, increase
 - d. Investment demand out, increase
22. In a country with 100 people in the working age population, 50 are employed, 30 are unemployed but looking for work, 10 have given up and 10 do not wish to work. What is the labour force participation rate?
- a. 50%
 - b. 20%
 - c. 90%
 - d. 80%
23. In the previous example, what is the unemployment rate?
- a. 50%
 - b. 40%

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- c. 30%
 - d. 10%
24. Olivia graduates from Carleton University with a degree in architecture, but has difficulty finding an architecture firm in Ottawa that is hiring. This is an example of:
- a. Cyclical unemployment
 - b. Frictional unemployment
 - c. Union power
 - d. Worker turnover
25. Which of the following are efficiency wages not used to address:
- a. Worker health
 - b. Shirking
 - c. Collective bargaining demands
 - d. Worker quality
26. Which of the following is the most liquid?
- a. Milk
 - b. A house
 - c. Ed Sheeran's latest album
 - d. A bond
27. Which of the following is not one of the functions of money:
- a. It can be used to transfer purchasing power
 - b. It is the yardstick people use to measure prices
 - c. It has intrinsic value
 - d. It can be exchanged by buyers and sellers for goods/services
28. If the Bank of Canada wants to reduce the money supply, they will:
- a. Print less money
 - b. Buy back bonds from Canadians
 - c. Sell bonds to Canadians
 - d. Change the commercial banks' reserve requirements
29. The M1+ measure of the money supply includes:
- a. Currency in circulation and chequable deposits
 - b. Currency in circulation
 - c. Currency in circulation, chequable deposits, non-personal demand deposits
 - d. Currency in circulation, credit card balances, chequable deposits
30. Fiat money:
- a. Has intrinsic value
 - b. Is used as money by government decree
 - c. Is gold-backed
 - d. Is signed by the Governor General

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