

Practice Questions from January 14th

1. Which of the following is an example of a real investment?
 - (a) the purchase of a 100 shares of Nortel stock
 - (b) the purchase of a drill press by the Ajax Manufacturing Company
 - (c) the purchase of a Government of Canada 10-year bond
 - (d) the purchase of 100 Euros on the foreign exchange market
2. GDP in an economy is \$4,600 billion. Private consumption is \$3,500 billion, government expenditures are \$900 billion, and private investment is \$400 billion. Net exports are:
 - (a) +\$400 billion.
 - (b) -\$400 billion.
 - (c) +\$200 billion.
 - (d) -\$200 billion.
3. An example of a transfer payment is
 - (a) government payments of salaries to members of Parliament.
 - (b) pensions to senior citizens from Old Age Security (OAS).
 - (c) government spending on military equipment.
 - (d) payment of interest on the national debt.
4. Which of the following items would be excluded from the government expenditures part of GDP?
 - (a) Purchases of land by the government.
 - (b) Salaries to army officers.
 - (c) Operating costs of the Canadian Coast Guard.
 - (d) Unemployment insurance benefits.
5. Which of the following would be included in GDP?
 - (a) Used cars purchased by consumers.
 - (b) The purchase of 100 shares of IBM.
 - (c) Telephone service for a home.
 - (d) Bread for a restaurant.
6. In recent years, the largest expenditure component of Canadian GDP has been:
 - (a) private consumption.
 - (b) private investment.
 - (c) government expenditure.
 - (d) net exports.
7. Which of the following was *true* in 2012?
 - (a) Measured in USD, Canada's GDP was larger than China's GDP.
 - (b) Measured in USD, Japan's GDP per capita was larger than China's GDP per capita.
 - (c) Measured in USD, Canada's GDP was larger than the United States' GDP.
 - (d) Measured in USD, India's GDP per capita was larger than the United States' GDP per capita.

8. The openness of an economy is defined as:
- (a) Exports / GDP.
 - (b) (Exports - Imports) / GDP.
 - (c) Imports / GDP.
 - (d) (Exports + Imports) / GDP.
9. Which of the following is a measure of cross-country differences in purchasing power?
- (a) The Dow Jones index.
 - (b) The Big Mac index.
 - (c) The S&P 500 index.
 - (d) The human development index.
10. Use the following to answer the question below:

Item	Amount (\$)
Private consumption	56
Private investment	20
Government expenditure	26
Exports	30
Imports	32

Which of the following is *true*?

- (a) Net exports are \$2.
- (b) GDP is \$164.
- (c) There is a trade surplus.
- (d) GDP is \$100.