

**Instructions:**

33 multiple-choice questions, each with 4 responses

Students need to bring: (1) Sanddollar ID card; (2) scantron Form 882-E; (3) pencil; (4) calculator (optional)

**Chapter 12**

- ✓ Government sources of income
- ✓ Government budget balance
- ✓ Average vs marginal tax rates
- ✓ Tax systems – efficiency vs equity
- ✓ Sources of tax receipts and government spending
- ✓ Arguments for and against progressive taxation
- ✓ Tax incidence
- ✓ Social security

**Chapter 23**

- ✓ Circular flow diagram
- ✓ National income accounting identity
- ✓ GDP and its definition
- ✓ Expenditure vs income approach
- ✓ Nominal vs real GDP
- ✓ Business cycles
- ✓ GDP as a measure of well-being
- ✓ GDP as a measure of economic growth

**Chapter 25**

- ✓ Productivity
- ✓ Diminishing returns
- ✓ Production functions and the catch up effect/convergence hypothesis
- ✓ FDI
- ✓ Factors affecting growth in developing countries

**Chapter 24**

- ✓ CPI and its problems
- ✓ Nominal vs real interest rate
- ✓ CPI vs GDP deflator
- ✓ Adjusting prices through time

**Chapter 28**

- ✓ Unemployment rate
- ✓ Labor force participation rate
- ✓ Stock vs flow variables
- ✓ Types of unemployment
- ✓ Natural rate of unemployment

## Multiple Choice

Identify the choice that best completes the statement or answers the question.

- \_\_\_\_\_ 1. A tax imposed on the sellers of a good will raise the
- price paid by buyers and lower the equilibrium quantity.
  - price paid by buyers and raise the equilibrium quantity.
  - effective price received by sellers and raise the equilibrium quantity.
  - effective price received by sellers and lower the equilibrium quantity.
- \_\_\_\_\_ 2. For a flat or proportional income tax system
- |   |  |
|---|--|
| a. The marginal rate of tax is greater than the average rate of tax | c. The marginal rate of tax is less than the average rate of tax                 |
| b. The marginal rate of tax is equal to the average rate of tax     | d. The marginal rate of tax is undefined and the average rate of tax is constant |
- \_\_\_\_\_ 3. If real GDP doubles and the GDP deflator doubles, then nominal GDP
- remains constant.
  - doubles.
  - triples.
  - quadruples.
- \_\_\_\_\_ 4. In one day Portal Computer Company made 400 laptops with 1200 hours of labor. What was its productivity?
- 1/3 laptop per hour
  - 3 hours per laptop
  - 1200 laptops
  - 400 laptops
- \_\_\_\_\_ 5. Which of the following would be considered physical capital?
- the available knowledge on how to make semiconductors
  - a taxi-cab driver's knowledge of the fastest routes to take
  - bulldozers, backhoes and other construction equipment
  - All of the above are correct.
- \_\_\_\_\_ 6. Country A and country B both increase their capital stock by one unit. Output in country A increases by 15 while output in country B increases by 12. Other things the same, diminishing returns implies that country A is
- richer than Country B. If Country A adds another unit of capital, output will increase by more than 15 units.
  - richer than Country B. If Country A adds another unit of capital, output will increase by less than 15 units.
  - poorer than Country B. If Country A adds another unit of capital, output will increase by more than 15 units.
  - poorer than Country B. If Country A adds another unit of capital, output will increase by less than 15 units.
- \_\_\_\_\_ 7. The Bureau of Labor Statistics places people in the "employed" category if they
- are without a job, but are available for work and have tried to find a job during the previous 4 weeks.
  - work without pay in a family member's business.
  - are waiting to be recalled to a job from which they had been laid off.
  - All of the above are correct.

**Table 28-1**

Labor Data for Aridia

<b>Year</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Adult population	2000	3000	3200
Number of employed	1400	1300	1600
Number of unemployed	200	600	200

- \_\_\_\_\_ 8. **Refer to Table 28-1.** The labor-force participation rate of Aridia in 2011 was
- 43.3%.
  - 54.2%.
  - 63.3%.
  - 68.4%.

**Test 2 Examples**  
**Answer Section**

**MULTIPLE CHOICE**

- A
- B
- D
- A
- C
- D
- B
- C