Question: 1

A country's gross national product (GNP) will be higher than gross domestic product (GDP) if:

A. indirect taxes are greater than government subsidies
B. there is a net inflow of factor payments on the balance of payments
C. the country's imports are greater than its exports
D. government tax income is greater than government expenditure

Answer: B

Question: 2

On an aggregate demand and aggregate supply diagram, cost-push inflation is shown by

A. A leftward shift of the short-run aggregate supply curve
B. A rightward shift of the aggregate demand curve
C. A rightward shift of the long-run aggregate supply curve
D. A leftward shift of the aggregate demand curve

Answer: A

Question: 3

Which of the following best defines “aggregate supply”?

A. The stock of output available for sale in an economy
B. The full employment level of output of the economy
C. The flow of goods and services produced by an economy during the year
D. The level of prices at which output can be sold in an economy

Answer: C

Question: 4

All of the following would lead to fall in the circular flow of national income except which one ?

A. A fall in business investment
B. A fall in personal savings rates
C. A reduction in the level of government expenditure

D. A rise in the marginal propensity to save

Answer: D

Question: 5

The level of national income in the circular flow will remain constant if

A. injections are greater than withdrawals
B. injections are equal to withdrawals
C. injections are equal to savings
D. injections plus withdrawals are equal to savings plus investment

Answer: B

Question: 6

The equilibrium level of national income in an economy is the level of income at which

A. Full employment occurs
B. There is zero inflation
C. Total planned spending equals the supply of output available
D. The government's budget and the balance of payments are both exactly balanced

Answer: C

Question: 7

If a government adopted a fiscal policy of cutting its budget deficit, the aggregate demand and supply model shows that the result would be:

A. a shift in the aggregate demand curve to the right, a fall in output and employment and a rise in the price level
B. a shift in the aggregate demand curve to the left, a fall in output and employment and a fall in the price level
C. a shift in the aggregate demand curve to the left, a fall in output and employment and a rise in the price level
D. a shift in the aggregate demand curve to the right, a rise in output and employment and a rise in the price level

Answer: B

Question: 8

Which of the following is most likely to lead an economy to suffer high unemployment?

A. Withdrawals exceeding injections
B. Aggregate demand exceeding aggregate supply
C. Injections exceeding withdrawals
D. A fiscal deficit

Answer: A

Question: 9

DRAG DROP
Complete the table inputting the relevant effect for each of the scenarios listed.

Scenario	Effect on the exchange rate
If an economy has high inflation it will	
If there is an increase in the market interest rate it will	
If a country has a trade deficit it will	
If a national government sells currency on the international markets to improve export performance it will	
If speculators expect the value of a currency to increase it will	

Weaken the exchange rate
Strengthen the exchange rate

Answer:

Scenario	Effect on the exchange rate
If an economy has high inflation it will	Weaken the exchange rate
If there is an increase in the market interest rate it will	Weaken the exchange rate
If a country has a trade deficit it will	Weaken the exchange rate
If a national government sells currency on the international markets to improve export performance it will	Strengthen the exchange rate
If speculators expect the value of a currency to increase it will	Strengthen the exchange rate

Weaken the exchange rate
Strengthen the exchange rate

Question: 10

In the aggregate supply and demand model, a significant rise in the cost of energy for industry would lead to the

A. Aggregate supply curve moving to the right
B. Aggregate supply curve moving to the left
C. Aggregate demand curve moving to the right
D. Aggregate demand curve moving to the left

Answer: B