

AP ECON AP Macro Ch 24.2 (I even)

Name _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) Value added can be determined by: 1) _____
A) subtracting the purchase of intermediate products from the value of the sales of final products.
B) deflating nominal GDP.
C) calculating the year-to-year changes in real GDP.
D) summing the profits of all enterprises in the economy.
- 2) Assume that a manufacturer of stereo speakers purchases \$40 worth of components for each speaker. The completed speaker sells for \$70. The value added by the manufacturer for each speaker is: 2) _____
A) \$40. B) \$110. C) \$70. D) \$30.
- 3) If depreciation exceeds gross investment: 3) _____
A) the economy's stock of capital is shrinking.
B) net investment is zero.
C) the economy's stock of capital may be either growing or shrinking.
D) the economy's stock of capital is growing.
- 4) The concept of net domestic investment refers to: 4) _____
A) total investment less the amount of investment goods used up in producing the year's output.
B) gross domestic investment less net exports.
C) the difference between the market value and book value of outstanding capital stock.
D) the amount of machinery and equipment used up in producing the GDP in a specific year.
- 5) When an economy's production capacity is expanding: 5) _____
A) gross domestic investment exceeds depreciation.
B) net exports is always a positive amount.
C) nominal GDP, but not necessarily real GDP, is rising.
D) DI exceeds PI.
- 6) In national income accounting, the consumption category of expenditures includes purchases of: 6) _____
A) consumer durable goods, consumer nondurable goods, and services.
B) both new and used consumer goods.
C) consumer durable goods and consumer nondurable goods but not services.
D) changes in business inventories.

- 13) The ZZZ Corporation issued \$25 million in new common stock in 2013. It used \$18 million of the proceeds to replace obsolete equipment in its factory and \$7 million to repay bank loans. As a result, investment: 13) _____
- A) of \$18 million has occurred. B) of \$7 million has occurred.
 C) has not occurred. D) of \$25 million has occurred.

- 14) Answer the question on the basis of the following data. All figures are in billions of dollars: 14) _____

Government Purchases	\$15
Consumption	90
Gross Investment	20
Consumption of Fixed Capital	5
Exports	8
Imports	12

Refer to the data. GDP is:

- A) \$150. B) \$121. C) \$116. D) \$125.
- 15) Answer the question on the basis of the following data. All figures are in billions of dollars. 15) _____

Personal Taxes	\$40
Social Security Contributions	15
Taxes on Production and Imports	20
Corporate Income Taxes	40
Transfer Payments	22
U.S. Exports	24
Undistributed Corporate Profits	35
Government Purchases	90
Gross Private Domestic Investment	75
U.S. Imports	22
Personal Consumption Expenditures	250
Consumption of Fixed Capital	25
Net Foreign Factor Income	10
Statistical Discrepancy	0

Refer to the data. GDP is:

- A) \$417. B) \$492. C) \$422. D) \$390.

Answer Key

Testname: UNTITLED2

- 1) A
- 2) D
- 3) A
- 4) A
- 5) A
- 6) A
- 7) A
- 8) B
- 9) D
- 10) A
- 11) C
- 12) C
- 13) A
- 14) B
- 15) A