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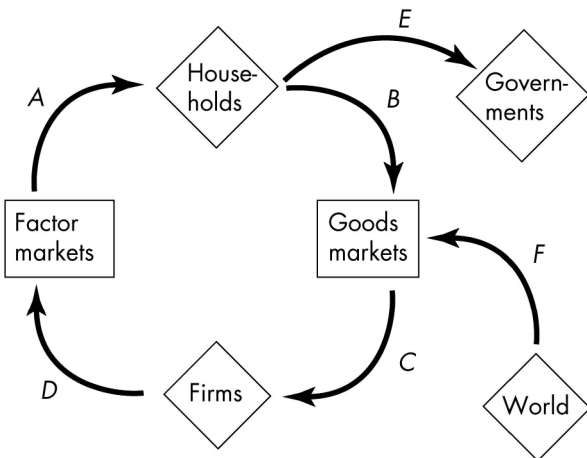

1) In the above figure, flow *B* represents _____.   1) _____
   A) household purchases of goods and services
   B) household borrowing
   C) firms' payments for labor services
   D) household income

2) In the above figure, flow *B* represents households' _____.   2) _____
   A) income   B) saving
   C) consumption expenditures   D) investment

3) In the above figure, household income is shown by flow   3) _____
   A) *A*.   B) *B*.   C) *C*.   D) *F*.

4) In the above figure, consumption expenditure is shown by flow   4) _____
   A) *A*.   B) *B*.   C) *C*.   D) *F*.

5) Two methods of measuring GDP are   5) _____
   A) the saving approach and the investment approach.
   B) the income approach and the receipts approach.
   C) the income approach and the expenditure approach.
   D) the goods approach and the services approach.

6) In the equation, GDP $= C + I + G + X - M$, G refers to   6) _____
   A) local, state, and federal government spending for all purposes.
   B) local, state, and federal government expenditure on goods and services, but does not include
      transfer payments.
   C) the taxes and expenditures of all government units.
   D) federal government expenditures plus all transfer payments.

7) Normally in the United States the relationship between nominal and real GDP for a given year is   7) _____
   A) real GDP is greater than nominal GDP because of price increases.
   B) nominal GDP is greater than real GDP because of price decreases.
   C) nominal GDP equals real GDP.
   D) nominal GDP is greater than real GDP because of price increases.

Write your answer in the space provided or on a separate sheet of paper.

8) Assume a small nation has the following statistics: its consumption expenditure is $15 million, investment is $2 million, government purchases of goods and services is $1 million, exports of goods and services to foreigners is $1 million, and imports of goods and services from foreigners is $1.5 million. Calculate this nation's GDP.

9) On January 1, 2010, United Delivery had trucks valued at $1.3 million. During 2010, United Delivery purchased new trucks valued at $500,000. If the value of the trucks on December 31, 2010 was $1.5 million, what is the amount of its net investment and its depreciation during 2010?

10) Using a graph, draw and label the phases and turning points of the business cycle.