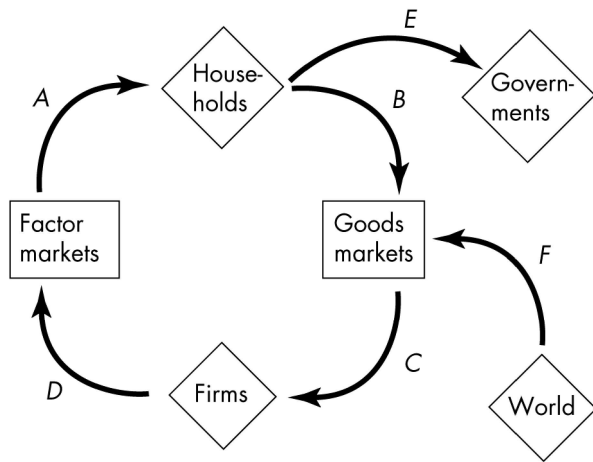


Choose the one alternative that best completes the statement or answers the question.



- 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.