

DEPARTMENT OF FINANCE, ACCOUNTING AND ECONOMICS

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PRINCIPLES OF MACROECONOMICS

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Name: Rey

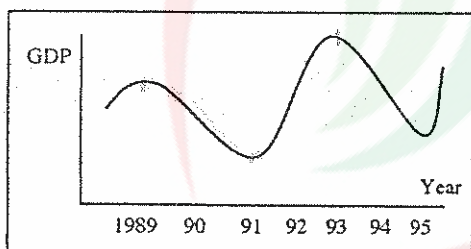
Test I

Duration 30 mns

ALL QUESTIONS SHOULD BE ANSWERED ONLY IN THE SPACE PROVIDED

I. Multiple Choice: (5 points)

- Suppose the economy suffers a high rate of unemployment. According to Keynesian economists, the government should adjust the economy by:
 - decreasing money supply
 - having a budget surplus
 - not doing anything
 - increasing government spending
 -
- The unemployment rate equals:
 - labor force / population
 - unemployed / employed
 - $(\text{employed} - \text{unemployed}) / \text{labor force}$
 - $(\text{Labor force} - \text{employed}) / \text{labor force}$
- The government imposes a rent ceiling on apartments. This is an example of a(n):
 - trade policy
 - fiscal policy
 - income policy
 - monetary policy



- Refer to the figure. In this economy, the unemployment rate most probably:
 - increased after 1989 until 1991 and then it declined.
 - increased after 1991 until 1993 and then it declined.
 - Decreased after 1993 until 1995 and then it increased.
 - Decreased after 1989 until 1992 and then it increased.

	1996				1997				1998			
Quarter	I	II	III	IV	I	II	III	IV	I	II	III	IV
Output	96	98	100	93	90	88	87	86	90	95	100	103

- Refer to the above table. In this economy, a trough existed around the:
 - fourth quarter of the year 1997
 - fourth quarter of the year 1996
 - second quarter of the year 1997
 - third quarter of the year 1998.

II. Problem: (20 points)

Given the data for a hypothetical nation, answer the following questions (a) through (g) by showing your calculations.

Business investment in plant and equipment	586.1	Residential construction	453.7
Inventory investment	-30.9	Business retained earnings	45.7
Compensation of employees	5,178.6	Government transfer payments & interest	337.1
Corporate taxes	215.9	Imports of goods and services	285.0
Exports of goods and services	380.4	Contribution for social security	441.7
Depreciation	643.5	Rental income	300.0
Personal taxes	600.0	Net interest	50.8
Government purchases of goods and services	1,589.7	Dividends	17
Indirect business taxes	489.6	Proprietor's income	100

3 (a) Calculate Gross Investment: $586.1 - 30.9 + 453.7 = 1008.9$

$\frac{6}{4}$ (b) Calculate GDP: $5178.6 + 215.9 + 643.5 + 489.6 + 45.7 + 300 + 50.8 + 17 + 100$
 $= 7,041.1$

1 (c) Calculate NDP: $7,041.1 - 643.5 = 6,397.6$

1 (d) Calculate National Income: $6,397.6 - 489.6 = 5908$

3 (e) Calculate Personal Income: $5908 - 215.9 - 45.7 + 337.1 - 441.7 = 5541.8$

1 (f) Calculate Disposable Income: $5541.8 - 600 = 4941.8$

$\frac{3}{4}$ (g) Calculate Personal saving: $4941.8 - (7,041.1 - 1,008.9 - 1,524.7 - 380.4 + 220) = 594.7$

$\frac{1}{4}$ (h) Calculate corporate profit before tax: $17 + 215.9 + 45.7 = 278.6$

$\frac{1}{4}$ (i) Calculate income received but not earned: 337.1

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GOOD LUCK