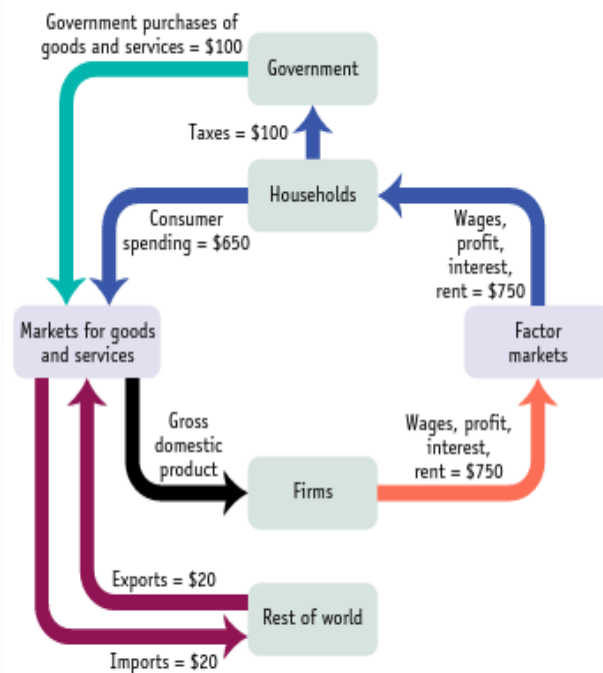


AP[®] Exam Practice Questions

Multiple-Choice Questions

Refer to the following diagram for Questions 1–3.



1. What is the value of GDP?

- \$550
- \$650
- \$750
- \$770
- \$790

2. What is the value of disposable income?

- \$750
- \$650
- \$550
- \$530
- \$510

3. The \$750 of wages, profit, interest, and rent shown by the red arrow pointing into the factor markets box illustrates the calculation of GDP using which approach?

- value-added
- aggregate spending
- expenditure
- income
- resource

Refer to the following table for Questions 4–6.

Category	Components of GDP (billions of dollars)
Consumer spending	
Durable goods	\$1,000
Nondurable goods	2,000
Services	7,000
Private Investment Spending	
Fixed investment spending	1,700
Nonresidential	1,400
Structures	500
Equipment and software	900
Residential	300
Change in private inventories	–100
Net exports	
Exports	1,500
Imports	2,000
Government purchases of goods and services and investment spending	
Federal	1,400
State and local	1,600

4. What is the value of GDP?

- \$10,000
- \$11,600
- \$14,100
- \$15,100
- \$18,100

5. What is the value of net exports?

- \$3,500
- \$2,000
- \$1,500
- \$500
- \$500

6. Which of the following refers to a loan in the form of an IOU that pays interest?

- stock
- bond
- disposable income
- government transfer
- investment

7. Investment spending includes spending on which of the following?
- stocks
 - physical capital
 - inputs
 - services
 - reductions in inventories
8. Which of the following is included in the calculation of GDP?
- intermediate goods and services
 - used goods
 - stocks and bonds
 - foreign-produced goods and services
 - domestically produced capital goods
9. Which of the following is true for this year if real GDP is greater than nominal GDP?
- The price level has decreased since the base year.
 - The consumer price index has increased since the base year.
 - The economy is experiencing inflation.
 - There has been economic growth.
 - Net exports are positive.
10. A country's labor force is equal to which of the following?
- the number of people aged 16 and above
 - the number of people employed plus the number retired
 - the number of people employed plus the number unemployed
 - the number of people working for pay
 - the number of people employed for pay plus the number who have given up looking for work
11. The number of people who are considered unemployed is equal to the number of people who are not working and
- are receiving unemployment compensation.
 - have given up seeking work.
 - plan to look for work in the future.
 - have looked for work in the recent past.
 - are actively seeking work.
12. The unemployment rate is the number of people unemployed divided by the number
- employed.
 - employed plus the number discouraged.
 - in the labor force.
 - in the population aged 16 and above.
 - in the population.
13. The number of people counted as unemployed includes which of the following types of workers?
- discouraged workers
 - aspiring workers seeking their first job
 - underemployed workers
 - retired workers
 - part-time workers
14. A worker who is not working while engaged in a job search after moving to a new city is considered which of the following?
- frictionally unemployed
 - structurally unemployed
 - cyclically unemployed
 - underemployed
 - a discouraged worker
15. A worker who is not working because his or her skills are no longer demanded in the labor market is considered which of the following?
- frictionally unemployed
 - structurally unemployed
 - cyclically unemployed
 - underemployed
 - a discouraged worker
16. The normal unemployment rate around which the actual unemployment rate fluctuates is known as which of the following?
- frictional unemployment rate
 - structural unemployment rate
 - cyclical unemployment rate
 - natural rate of unemployment
 - maximum unemployment rate
17. Which of the following is true if the real wage rate is equal to the nominal wage rate?
- Real income is constant.
 - The price level for the current year is the same as the price level in the base year.
 - The CPI is increasing.
 - The demand for labor is increasing.
 - The economy is experiencing deflation.
18. A worker who is unemployed due to fluctuations in the business cycle is considered which of the following?
- frictionally unemployed
 - structurally unemployed
 - cyclically unemployed
 - underemployed
 - a discouraged worker
19. When inflation makes money a less reliable unit of measurement, the economy is experiencing which of the following costs of inflation?
- unit-of-account
 - shoe-leather
 - menu
 - measurement
 - monetary
20. Bringing down the inflation rate is known as
- negative inflation.
 - deflation.
 - bubble popping.
 - disinflation.
 - contraction.

- 21.** The real interest rate is equal to the nominal interest rate
- minus the inflation rate.
 - plus the inflation rate.
 - divided by the inflation rate.
 - times the inflation rate.
 - plus the real interest rate divided by the inflation rate.
- 22.** Who loses from unanticipated inflation?
- borrowers
 - the government
 - investors
 - mortgage owners
 - people on fixed incomes
- 23.** Assume a country has a population of 1,000. If 400 people are employed and 100 people are unemployed, what is the country's unemployment rate?
- 50%
 - 40%
 - 25%
 - 20%
 - 10%
- 24.** Which of the following changes will result in an increase in the natural rate of unemployment?
- More teenagers focus on their studies and do not look for jobs until after college.
 - The government increases the time during which an unemployed worker can receive benefits.
 - Greater access to the Internet makes it easier for job-seekers to find a job.
 - Union membership declines.
 - Opportunities for job training improve.
- 25.** If the consumer price index rises from 120 to 132, what is the inflation rate?
- 8%
 - 10%
 - 12%
 - 20%
 - 32%

Free-Response Question

- 1.** Assume the country of Technologia invests in an online system that efficiently matches job-seekers with employers and significantly reduces the time required for job searches.
- Which type of unemployment will Technologia's investment affect?
 - Will unemployment increase or decrease?
 - Given the change in unemployment from part b. what will happen to the natural rate of unemployment in Technologia? Explain.
 - Given your answer to part b. what will happen to real GDP in Technologia? Explain.
- (6 points)**