

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

- 1) Financial markets promote economic efficiency by \_\_\_\_\_ 1) \_\_\_\_\_  
A) reducing investment.  
B) channelling funds from investors to savers.  
C) channelling funds from savers to investors.  
D) creating inflation.
- 2) Financial markets promote greater economic efficiency by channelling funds from \_\_\_\_\_ to \_\_\_\_\_ 2) \_\_\_\_\_  
A) savers; borrowers  
B) investors; savers  
C) savers; lenders  
D) borrowers; savers
- 3) Well-functioning financial markets promote \_\_\_\_\_ 3) \_\_\_\_\_  
A) deflation.  
B) growth.  
C) unemployment.  
D) inflation.
- 4) A key factor in producing high economic growth is \_\_\_\_\_ 4) \_\_\_\_\_  
A) stock market volatility.  
B) eliminating foreign trade.  
C) well-functioning financial markets.  
D) high interest rates.
- 5) Markets in which funds are transferred from those who have excess funds available to those who have a shortage of available funds are called \_\_\_\_\_ 5) \_\_\_\_\_  
A) fund-available markets.  
B) financial markets.  
C) commodity markets.  
D) derivative exchange markets.
- 6) \_\_\_\_\_ markets transfer funds from people who have an excess of available funds to people who have a shortage. 6) \_\_\_\_\_  
A) Fund-available  
B) Commodity  
C) Financial  
D) Derivative exchange
- 7) Poorly performing financial markets can be the cause of \_\_\_\_\_ 7) \_\_\_\_\_  
A) financial expansion.  
B) financial stability.  
C) poverty.  
D) wealth.
- 8) The bond markets are important because they are \_\_\_\_\_ 8) \_\_\_\_\_  
A) the markets where all borrowers get their funds.  
B) easily the most widely followed financial markets in Canada.  
C) the markets where foreign exchange rates are determined.  
D) the markets where interest rates are determined.
- 9) The price paid for the rental of borrowed funds (usually expressed as a percentage of the rental of \$100 per year) is commonly referred to as the \_\_\_\_\_ 9) \_\_\_\_\_  
A) aggregate price level.  
B) interest rate.  
C) inflation rate.  
D) exchange rate.

- 10) Compared to interest rates on long-term bonds, interest rates on three-month Treasury bills fluctuate \_\_\_\_\_ and are \_\_\_\_\_ on average. 10) \_\_\_\_\_  
 A) more; higher      B) more; lower      C) less; lower      D) less; higher
- 11) The interest rate on corporate bonds is \_\_\_\_\_, on average, than other interest rates, and the spread between it and other rates became \_\_\_\_\_ between 2001 -2004. 11) \_\_\_\_\_  
 A) lower; larger      B) higher; larger      C) lower; smaller      D) higher; smaller
- 12) Everything else held constant, a decline in interest rates will cause spending on housing to 12) \_\_\_\_\_  
 A) either rise, fall, or remain the same.      B) remain unchanged.  
 C) rise.      D) fall.
- 13) High interest rates might \_\_\_\_\_ purchasing a house or car but at the same time high interest rates might \_\_\_\_\_ saving. 13) \_\_\_\_\_  
 A) encourage; discourage      B) encourage; encourage  
 C) discourage; discourage      D) discourage; encourage
- 14) An increase in interest rates might \_\_\_\_\_ saving because more can be earned in interest income. 14) \_\_\_\_\_  
 A) encourage      B) disallow      C) discourage      D) invalidate
- 15) Everything else held constant, an increase in interest rates on student loans 15) \_\_\_\_\_  
 A) has no effect on educational costs.  
 B) reduces the cost of education.  
 C) increases the cost of education.  
 D) increases costs for students with no loans.
- 16) High interest rates might cause a corporation to \_\_\_\_\_ building a new plant that would provide more jobs. 16) \_\_\_\_\_  
 A) postpone      B) complete      C) consider      D) start
- 17) The stock market is important because it is 17) \_\_\_\_\_  
 A) the market where most borrowers get their funds.  
 B) where interest rates are determined.  
 C) the most widely followed financial market in the Canada.  
 D) where foreign exchange rates are determined.
- 18) Stock prices, as measured by the S&P/TSX Composite Index, 18) \_\_\_\_\_  
 A) have been extremely volatile over time.  
 B) have declined substantially since they peaked in the mid 1980s.  
 C) have not changed much over time.  
 D) have risen smoothly over time.
- 19) Stock prices are 19) \_\_\_\_\_  
 A) relatively stable trending downward at a moderate rate.  
 B) relatively stable trending upward at a steady pace.  
 C) unstable trending downward at a moderate rate.  
 D) extremely volatile.

- 20) A rising stock market index due to higher share prices 20) \_\_\_\_\_  
 A) increases people's wealth and as a result may increase their willingness to spend.  
 B) decreases the amount of funds that business firms can raise by selling newly-issued stock.  
 C) decreases people's wealth, but is unlikely to increase their willingness to spend.  
 D) increases people's wealth, but is unlikely to increase their willingness to spend.
- 21) When stock prices fall 21) \_\_\_\_\_  
 A) an individual's wealth may decrease and their willingness to spend may decrease.  
 B) an individual's wealth may decrease but their willingness to spend is not affected.  
 C) a business firm will be more likely to sell stock to finance investment spending.  
 D) an individual's wealth is not affected nor is their willingness to spend.
- 22) Changes in stock prices 22) \_\_\_\_\_  
 A) are unimportant to decision makers.  
 B) do not affect people's wealth and their willingness to spend.  
 C) occur in regular patterns.  
 D) affect firms' decisions to sell stock to finance investment spending.
- 23) An increase in stock prices \_\_\_\_\_ the size of people's wealth and may \_\_\_\_\_ their willingness to spend, everything else held constant. 23) \_\_\_\_\_  
 A) decreases; increase  
 B) decreases; decrease  
 C) increases; increase  
 D) increases; decrease
- 24) Low stock market prices might \_\_\_\_\_ consumers willingness to spend and might \_\_\_\_\_ businesses willingness to undertake investment projects. 24) \_\_\_\_\_  
 A) increase; increase  
 B) increase; decrease  
 C) decrease; increase  
 D) decrease; decrease
- 25) Fear of a major recession causes stock prices to fall, everything else held constant, which in turn causes consumer spending to 25) \_\_\_\_\_  
 A) decrease.  
 B) remain unchanged.  
 C) increase.  
 D) cannot be determined.
- 26) A share of common stock is a claim on a corporation's 26) \_\_\_\_\_  
 A) earnings and assets.  
 B) debt.  
 C) liabilities.  
 D) expenses.
- 27) A \_\_\_\_\_ is an example of a security, which is a claim on future income or \_\_\_\_\_. 27) \_\_\_\_\_  
 A) stock; assets  
 B) bond; interest rate  
 C) stock; debt  
 D) bond; debt
- 28) On \_\_\_\_\_, October 19, 1987, the market experienced its worst one -day drop in its entire history with the S&P/TSX Composite falling by 11 per cent. 28) \_\_\_\_\_  
 A) "Black Monday"  
 B) "Freaky Friday"  
 C) "Woeful Wednesday"  
 D) "Terrible Tuesday"



- 39) Banks and other financial institutions engage in financial intermediation, which 39) \_\_\_\_\_  
 A) can hurt the performance of the economy.  
 B) can benefit economic performance.  
 C) involves borrowing from investors and lending to savers.  
 D) has no effect on economic performance.
- 40) Financial institutions that accept deposits and make loans include \_\_\_\_\_. 40) \_\_\_\_\_  
 A) chartered banks  
 B) exchanges  
 C) finance companies  
 D) over-the-counter markets
- 41) The financial intermediaries that the average person interacts with most frequently are \_\_\_\_\_. 41) \_\_\_\_\_  
 A) chartered banks  
 B) finance companies  
 C) over-the-counter markets  
 D) exchanges
- 42) Which of the following is not a financial institution? 42) \_\_\_\_\_  
 A) A business college  
 B) A life insurance company  
 C) A credit union  
 D) A pension fund
- 43) Which of the following are the largest financial intermediaries in the Canadian economy? 43) \_\_\_\_\_  
 A) Mutual funds  
 B) Insurance companies  
 C) Finance companies  
 D) Chartered banks
- 44) The term "bank" generally includes all of the following institutions except 44) \_\_\_\_\_  
 A) credit unions.  
 B) finance companies.  
 C) trust and mortgage loan companies.  
 D) chartered banks.
- 45) The delivery of financial services electronically is called \_\_\_\_\_. 45) \_\_\_\_\_  
 A) e-possible  
 B) e-commerce  
 C) e-finance  
 D) e-business

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

- 46) What crucial role do financial intermediaries perform in an economy? 46) \_\_\_\_\_
- 47) Why is the study of financial innovation important? 47) \_\_\_\_\_

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

- 48) Money is defined as 48) \_\_\_\_\_  
 A) the unrecognized liability of governments.  
 B) bills of exchange.  
 C) a risk-free repository of spending power.  
 D) anything that is generally accepted in payment for goods and services or in the repayment of debt.
- 49) The upward and downward movement of aggregate output produced in the economy is referred to as the \_\_\_\_\_. 49) \_\_\_\_\_  
 A) see saw  
 B) shock wave  
 C) business cycle  
 D) roller coaster

- 50) Sustained downward movements in the business cycle are referred to as \_\_\_\_\_  
 A) recessions. B) economic recoveries.  
 C) inflation. D) expansions.
- 51) During a recession, output declines resulting in \_\_\_\_\_  
 A) higher wages for the workers.  
 B) higher unemployment in the economy.  
 C) no impact on the unemployment in the economy.  
 D) lower unemployment in the economy.
- 52) Prior to all recessions, there has been a drop in \_\_\_\_\_  
 A) inflation. B) the growth rate of the money stock.  
 C) interest rates. D) the money stock.
- 53) Evidence from business cycle fluctuations in Canada indicates that \_\_\_\_\_  
 A) recessions have been preceded by a decline in the growth rate of money.  
 B) a negative relationship between money growth and general economic activity exists.  
 C) recessions have been preceded by dollar depreciation.  
 D) recessions have been preceded by declines in share prices on the stock exchange.
- 54) \_\_\_\_\_ theory relates changes in the quantity of money to changes in aggregate economic activity and the price level. \_\_\_\_\_  
 A) Monetary B) Systemic C) Fiscal D) Financial
- 55) A sharp increase in the growth of the money supply is likely followed by \_\_\_\_\_  
 A) an increase in the inflation rate. B) a depression.  
 C) no change in the economy. D) a recession.
- 56) It is true that inflation is a \_\_\_\_\_  
 A) decline in interest rates.  
 B) continuous fall in prices.  
 C) continuous increase in the money supply.  
 D) continual increase in the price level.
- 57) Which of the following is a true statement? \_\_\_\_\_  
 A) The average price of goods and services in an economy is called the aggregate price level.  
 B) Money or the money supply is defined as Bank of Canada notes.  
 C) The inflation rate is measured as the rate of change in the federal government budget deficit.  
 D) The aggregate price level is measured as the rate of change in the inflation rate.
- 58) If ten years ago the prices of the items bought last month by the average consumer would have been much higher, then one can likely conclude that \_\_\_\_\_  
 A) the average rate of money growth for this ten-year period has been positive.  
 B) the aggregate price level has declined during this ten-year period.  
 C) the aggregate price level has risen during this ten-year period.  
 D) the average inflation rate for this ten-year period has been positive.
- 59) From 1968–2008 the price level in Canada increased more than \_\_\_\_\_. \_\_\_\_\_  
 A) threefold B) fourfold C) ninefold D) twofold

- 60) Complete Milton Friedman's famous statement, "Inflation is always and everywhere a \_\_\_\_\_ phenomenon." 60) \_\_\_\_\_  
 A) recessionary                      B) repressinary                      C) monetary                      D) discretionary
- 61) There is a \_\_\_\_\_ association between inflation and the growth rate of money \_\_\_\_\_. 61) \_\_\_\_\_  
 A) negative; demand                      B) negative; supply  
 C) positive; supply                      D) positive; demand
- 62) Evidence from Canada and other foreign countries indicates that 62) \_\_\_\_\_  
 A) money growth is clearly unrelated to inflation.  
 B) there is little support for the assertion that "inflation is always and everywhere a monetary phenomenon."  
 C) countries with low monetary growth rates tend to experience higher rates of inflation, all else being constant.  
 D) there is a strong positive association between inflation and growth rate of money over long periods of time.
- 63) Countries that experience very high rates of inflation may also have 63) \_\_\_\_\_  
 A) falling money supplies.                      B) constant money supplies.  
 C) balanced budgets.                      D) rapidly growing money supplies.
- 64) In the 1970s, in Canada, interest rates trended upward. During this same time period, 64) \_\_\_\_\_  
 A) the aggregate price level declined quite dramatically.  
 B) the rate of money growth increased.  
 C) the government budget deficit (expressed as a percentage of GNP) trended downward.  
 D) the rate of money growth declined.
- 65) The management of money and interest rates is called \_\_\_\_\_ policy and is conducted by a nation's \_\_\_\_\_ bank. 65) \_\_\_\_\_  
 A) fiscal; central                      B) fiscal; superior  
 C) monetary; central                      D) monetary; superior
- 66) The organization responsible for the conduct of monetary policy in Canada is the 66) \_\_\_\_\_  
 A) Bank of Canada.                      B) Department of Finance.  
 C) OSFI.                      D) CDIC.
- 67) \_\_\_\_\_ policy involves decisions about government spending and taxation. 67) \_\_\_\_\_  
 A) Monetary                      B) Financial                      C) Fiscal                      D) Systemic
- 68) When tax revenues are greater than government expenditures, the government has a budget \_\_\_\_\_ 68) \_\_\_\_\_  
 A) deficit                      B) revision                      C) surplus                      D) crisis
- 69) A budget \_\_\_\_\_ occurs when government expenditures exceed tax revenues for a particular time period. 69) \_\_\_\_\_  
 A) deficit                      B) surplus                      C) surfeit                      D) surge
- 70) Budget deficits can be a concern because they might 70) \_\_\_\_\_  
 A) lead to higher bond prices.                      B) lead to lower interest rates.  
 C) lead to a slower rate of money growth.                      D) ultimately lead to higher inflation.

- 71) Budget deficits are important because deficits 71) \_\_\_\_\_  
A) cause bank failures.  
B) can result in higher rates of money growth.  
C) always cause interest rates to fall.  
D) always cause prices to fall.

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

- 72) What happens to economic growth and unemployment during a business cycle recession? 72) \_\_\_\_\_  
What is the relationship between the money growth rate and a business cycle recession?

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

- 73) Canadian companies can borrow funds 73) \_\_\_\_\_  
A) in both Canadian and foreign financial markets.  
B) only in Canadian financial markets.  
C) only from the Canadian government.  
D) only in foreign financial markets.

- 74) The price of one country's currency in terms of another country's currency is called the 74) \_\_\_\_\_  
A) prime rate. B) Dow Jones industrial average.  
C) interest rate. D) exchange rate.

- 75) The market where one currency is converted into another currency is called the \_\_\_\_\_ market. 75) \_\_\_\_\_  
A) stock B) derivatives  
C) bond D) foreign exchange

- 76) Everything else constant, a stronger dollar will mean that 76) \_\_\_\_\_  
A) French cheese becomes more expensive.  
B) vacationing in England becomes more expensive.  
C) vacationing in England becomes less expensive.  
D) Japanese cars become more expensive.

- 77) Which of the following is most likely to result from a stronger Canadian dollar? 77) \_\_\_\_\_  
A) Canadian goods exported abroad will cost more in foreign countries, and so foreigners will buy fewer of them.  
B) Canadian goods exported aboard will cost more in foreign countries and so foreigners will buy more of them.  
C) Canadian goods exported aboard will cost less in foreign countries, and so foreigners will buy more of them.  
D) Canadians will purchase fewer foreign goods.

- 78) Everything else held constant, a weaker Canadian dollar will likely hurt 78) \_\_\_\_\_  
A) furniture importers in British Columbia.  
B) wheat farmers in Saskatchewan that sell domestically.  
C) textile exporters in Quebec.  
D) automobile manufacturers in Ontario that use domestically produced inputs.

- 79) Everything else held constant, a stronger Canadian dollar benefits \_\_\_\_\_ and hurts \_\_\_\_\_. 79) \_\_\_\_\_  
 A) Canadian consumers; Canadian businesses  
 B) foreign businesses; Canadian consumers  
 C) Canadian businesses; foreign businesses  
 D) Canadian businesses; Canadian consumers
- 80) From 2003 to 2007 the dollar \_\_\_\_\_ in value, thereby benefiting Canadian \_\_\_\_\_. 80) \_\_\_\_\_  
 A) appreciated; consumers  
 B) depreciated, businesses  
 C) depreciated; consumers  
 D) appreciated, businesses
- 81) When in 1985 a British pound cost approximately \$1.30, a Shetland sweater that cost 100 British pounds would have cost \$130. With a weaker dollar, the same Shetland sweater would have cost 81) \_\_\_\_\_  
 A) more than \$130.  
 B) \$130, since the demand for Shetland sweaters will decrease to prevent an increase in price due to the stronger dollar.  
 C) \$130, since the exchange rate does not affect the prices that Canadian consumers pay for foreign goods.  
 D) less than \$130.
- 82) Everything else held constant, a decrease in the value of the dollar relative to all foreign currencies means that the price of foreign goods purchased by Canadian 82) \_\_\_\_\_  
 A) increases initially but then decreases.  
 B) decreases.  
 C) remains unchanged.  
 D) increases
- 83) Canadian farmers who sell beef to Europe benefit most from 83) \_\_\_\_\_  
 A) a constant dollar price for euros.  
 B) an increase in the dollar price of euros.  
 C) a decrease in the dollar price of euros.  
 D) a European ban on imports of Canadian beef.
- 84) If the price of a euro increases from \$1.00 to \$1.10, then, everything else held constant, 84) \_\_\_\_\_  
 A) a European vacation becomes less expensive.  
 B) a European vacation becomes more expensive.  
 C) foreign travel becomes impossible.  
 D) the cost of a European vacation is not affected.
- 85) Everything else held constant, Canadian who love French wine benefit most from 85) \_\_\_\_\_  
 A) a constant dollar price for euros.  
 B) an increase in the dollar price of euros.  
 C) a decrease in the dollar price of euros.  
 D) a ban on imports from Europe.

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

- 86) From 2002–2007, the dollar strengthened in value against other currencies. Who was helped and who was hurt by this strong dollar? 86) \_\_\_\_\_

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

- 87) The most comprehensive measure of aggregate output is 87) \_\_\_\_\_  
 A) national income.  
 B) the stock value of the industrial 500.  
 C) gross domestic product.  
 D) net national product.



- 99) The measure of the aggregate price level that is most frequently reported in the media is the \_\_\_\_\_ 99) \_\_\_\_\_  
 A) consumer price index B) household price index  
 C) producer price index D) GDP deflator
- 100) To calculate the growth rate of a variable, you will 100) \_\_\_\_\_  
 A) add the ending value to the beginning value.  
 B) calculate the difference between the two variables.  
 C) divide the increase by the number of time periods.  
 D) calculate the percentage change from one time period to the next.
- 101) If real GDP grows from \$10 trillion in 2002 to \$10.5 trillion in 2003, the growth rate for real GDP is 101) \_\_\_\_\_  
 A) 10%. B) 0.5%. C) 5%. D) 50%.
- 102) If real GDP in 2002 is \$10 trillion, and in 2003 real GDP is \$9.5 trillion, then real GDP growth from 2002 to 2003 is 102) \_\_\_\_\_  
 A) 5%. B) 0%. C) -5%. D) 0.5%.
- 103) If the aggregate price level at time  $t$  is denoted by  $P_t$ , the inflation rate from time  $t - 1$  to  $t$  is defined as 103) \_\_\_\_\_  
 A)  $\pi_t = (P_{t+1} - P_{t-1}) / P_{t-1}$ . B)  $\pi_t = (P_t - P_{t-1}) / P_t$ .  
 C)  $\pi_t = (P_{t+1} - P_t) / P_t$ . D)  $\pi_t = (P_t - P_{t-1}) / P_{t-1}$ .
- 104) If the price level increases from 200 in year 1 to 220 in year 2, the rate of inflation from year 1 to year 2 is 104) \_\_\_\_\_  
 A) 20%. B) 11%. C) 120%. D) 10%.
- 105) If the CPI is 120 in 1996 and 180 in 2002, then between 1996 and 2002, prices have increased by 105) \_\_\_\_\_  
 A) 80%. B) 60%. C) 50%. D) 180%.
- 106) If the CPI in 2004 is 200, and in 2005 the CPI is 180, the rate of inflation from 2004 to 2005 is 106) \_\_\_\_\_  
 A) -10%. B) 10%. C) 20%. D) 0%.

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

- 107) What is measured by the *Gross Domestic Product* (GDP)? what is included and what is excluded in the calculation of GDP? 107) \_\_\_\_\_
- 108) Are the following transactions included in the calculation of the GDP? Why? 108) \_\_\_\_\_  
 a. books you buy from the university bookstore  
 b. purchase of government bonds  
 c. writing a cheque to your dentist for his services  
 d. purchase by a car manufacturer of tyres for the produced vehicles
- 109) What is the *aggregate income*? How is the aggregate income related to the gross domestic product? 109) \_\_\_\_\_
- 110) Why is the *real GDP* a better measure of economic activity than *nominal GDP*? 110) \_\_\_\_\_

## Answer Key

Testname: UNTITLED1

- 1) C  
Skill: Recall
- 2) A  
Skill: Recall
- 3) B  
Skill: Recall
- 4) C  
Skill: Recall
- 5) B  
Skill: Recall
- 6) C  
Skill: Recall
- 7) C  
Skill: Recall
- 8) D  
Skill: Recall
- 9) B  
Skill: Recall
- 10) B  
Skill: Applied
- 11) B  
Skill: Applied
- 12) C  
Skill: Applied
- 13) D  
Skill: Applied
- 14) A  
Skill: Recall
- 15) C  
Skill: Applied
- 16) A  
Skill: Applied
- 17) C  
Skill: Recall
- 18) A  
Skill: Applied
- 19) D  
Skill: Recall
- 20) A  
Skill: Recall
- 21) A  
Skill: Applied
- 22) D  
Skill: Recall
- 23) C  
Skill: Applied

## Answer Key

Testname: UNTITLED1

- 24) D  
Skill: Applied
- 25) A  
Skill: Recall
- 26) A  
Skill: Recall
- 27) A  
Skill: Recall
- 28) A  
Skill: Recall
- 29) D  
Skill: Recall
- 30) A  
Skill: Recall
- 31) The bond market supports economic activity by enabling the government and corporations to borrow to undertake their projects and it is the market where interest rates are determined.  
Skill: Recall
- 32) A stock represents a share of ownership of a corporation, or a claim on a firm's earnings/assets. Stocks are part of wealth, and changes in their value affect people's willingness to spend. Changes in stock prices affect a firm's ability to raise funds, and thus their investment.  
Skill: Recall
- 33) D  
Skill: Recall
- 34) B  
Skill: Recall
- 35) C  
Skill: Recall
- 36) D  
Skill: Recall
- 37) D  
Skill: Recall
- 38) B  
Skill: Recall
- 39) B  
Skill: Recall
- 40) A  
Skill: Recall
- 41) A  
Skill: Recall
- 42) A  
Skill: Recall
- 43) D  
Skill: Recall
- 44) B  
Skill: Recall
- 45) C  
Skill: Recall

## Answer Key

Testname: UNTITLED1

- 46) Financial intermediaries borrow funds from people who have saved and make loans to other individuals and businesses and thus improve the efficiency of the economy.  
Skill: Recall
- 47) Financial innovation shows how creative thinking on the part of financial institutions can lead to higher profits.  
Skill: Recall
- 48) D  
Skill: Recall
- 49) C  
Skill: Recall
- 50) A  
Skill: Recall
- 51) B  
Skill: Recall
- 52) B  
Skill: Recall
- 53) A  
Skill: Recall
- 54) A  
Skill: Recall
- 55) A  
Skill: Recall
- 56) D  
Skill: Recall
- 57) A  
Skill: Recall
- 58) B  
Skill: Applied
- 59) B  
Skill: Applied
- 60) C  
Skill: Recall
- 61) C  
Skill: Recall
- 62) D  
Skill: Applied
- 63) D  
Skill: Recall
- 64) B  
Skill: Applied
- 65) C  
Skill: Recall
- 66) A  
Skill: Recall
- 67) C  
Skill: Recall
- 68) C  
Skill: Recall

## Answer Key

Testname: UNTITLED1

- 69) A  
Skill: Recall
- 70) D  
Skill: Recall
- 71) B  
Skill: Recall
- 72) During a recession, output declines and unemployment increases. Prior to every recession in Canada the money growth rate has declined, however, not every decline is followed by a recession.  
Skill: Recall
- 73) A  
Skill: Recall
- 74) D  
Skill: Recall
- 75) D  
Skill: Recall
- 76) C  
Skill: Applied
- 77) A  
Skill: Applied
- 78) A  
Skill: Applied
- 79) A  
Skill: Applied
- 80) A  
Skill: Applied
- 81) A  
Skill: Applied
- 82) D  
Skill: Recall
- 83) B  
Skill: Applied
- 84) B  
Skill: Applied
- 85) C  
Skill: Applied
- 86) Canadian consumers benefitted because imports were cheaper and consumers could purchase more. Canadian businesses and workers in those businesses were hurt as domestic and foreign sales of Canadian products fell.  
Skill: Applied
- 87) C  
Skill: Recall
- 88) C  
Skill: Recall
- 89) A  
Skill: Applied
- 90) C  
Skill: Applied

## Answer Key

Testname: UNTITLED1

- 91) A  
Skill: Recall
- 92) D  
Skill: Recall
- 93) D  
Skill: Recall
- 94) D  
Skill: Applied
- 95) B  
Skill: Applied
- 96) D  
Skill: Recall
- 97) C  
Skill: Applied
- 98) A  
Skill: Recall
- 99) A  
Skill: Recall
- 100) D  
Skill: Recall
- 101) C  
Skill: Applied
- 102) C  
Skill: Applied
- 103) D  
Skill: Applied
- 104) D  
Skill: Applied
- 105) C  
Skill: Applied
- 106) A  
Skill: Applied
- 107) GDP is the most commonly used measure of aggregate output. It is the market value of all final goods and services produced in the economy during the course of a year. In calculating the GDP we exclude two sets of items. First, we exclude all goods that have been produced in the past, and not in the measured year, and second we exclude all intermediate goods as their value is included in the value of the final goods.  
Skill: Recall
- 108) a. Yes, it is a purchase of a final good, the book.  
b. No, purchases of stocks and bonds are not included in the calculation of the GDP.  
c. Yes, it is a service that should be included in the GDP.  
d. No, because the tyres for the car manufacturer are an intermediate good and as such it is not included in the calculation of the GDP.  
Skill: Applied
- 109) Aggregate income is the total income of factors of production. It is equal to aggregate output.  
Skill: Recall
- 110) Real GDP is a more reliable measure because values are measured in terms of fixed prices.  
Skill: Recall