

Exam 4 - Principles of Economics II

2022/2023 IES CUNI

The exam consists of 10 questions worth 100 points in total.

- Please make sure your name and student ID number are written clearly.
- If you finish early, hand the exam in to the proctor and leave silently.
- You have 60 minutes to complete this exam.
- No points will be deducted for incorrect answers.
- You may use a calculator, but no other materials are allowed.
- Note that some multiple-choice questions may have multiple correct answers, in which case partial points are not awarded – only full points or zero points.

Good luck!

Name:

Student ID:

1. (10 points) Finish the sentence: Once a country is wealthy,

Check all that apply.

- it no longer needs any human capital.
- capital becomes more productive due to the "catch-up effect."
- it may be harder for it to grow quickly because of the diminishing returns to capital.
- it is nearly impossible for it to become relatively poorer.
- none of the other answers.

2. (10 points) Assume the interest rate is 6 percent. Which asset is more profitable: 2000 EUR today or 2400 EUR in two years?

Check all that apply.

- 2000 EUR today
- 2400 EUR in two years
- They're just as profitable

3. (7 points) Describe the shape (i.e., slope) of the Aggregate Demand (AD) and Aggregate Supply (AS) curves and for each curve, state two reasons for their shapes.

4. (7 points) What is the equation to measure GDP or AD? (List the variables' full names, not just the short form equation)

5. (10 points) Which of the following changes are related to cost-push inflation?

Check all that apply.

- Sharp increase in GDP
- Decrease in input prices
- Increase in input prices
- Decrease in unemployment rate
- Appreciation of local currency
- None of the other answers

6. (13 points) Compute the unemployment rate and the labour force participation rate from the below data.

Population (15+ years)	Employed persons	Unemployed persons
6 000 000	5 060 000	208 800

7. (13 points) Fill in the blank: If the reserve ratio is 11%, then the money multiplier is _____.

If the reserve ratio increases to 12%, will the money multiplier increase or decrease?

8. (10 points) Holding other things constant, an appreciation of a nation's currency causes _____.

Check all that apply.

- Export to rise
- Export to fall
- Import to rise
- Import to fall
- None of other answers

9. (10 points) Name and briefly describe two main factors that determine a bond's interest rate.

10. (10 points) Explain briefly what the cap and trade system is.

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