SIR ARTHUR LEWIS COMMUNITY COLLEGE

ACADEMIC YEAR (2024/2025) – SEMESTER ONE

END OF SEMESTER EXAMINATION - ALTERNATE

COURSE CODE	:	**ECO115**
COURSE TITLE	:	**INTRODUCTION TO MACROECONOMICS**
LECTURER(S)	:	**MS. PERSAD; MS. ROBERTS**
DATE	:	**-**
TIME	:	**-**
DURATION	:	**1 HOUR 30 MINUTES**
STUDENT ID #	:	____________________

GENERAL INFORMATION AND INSTRUCTIONS

- Students must sign **IN** and **OUT** on the examination class list.
- Write your ID number on the question paper.
- This paper has TWO sections.
- Answer all questions on the question paper.

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO

SECTION ONE: MULTIPLE CHOICE QUESTIONS

1. The circular flow of income for a two-sector economy would **NOT** include:

   a) Firms c) The business sector
   b) Households d) The government sector

2. Which of the following is a macroeconomic goal?

   a) To reduce the employment level
   b) To achieve a fair distribution of wealth
   c) Increasing the general price level
   d) To increase Coconut Oil production

3. Unlike a market economy, a command economy uses:

   a) More centralized planning in its economic decision making
   b) Consumer sovereignty to make production decisions
   c) Its resources more efficiently
   d) Price signals in economic decision making

4. Which of the following components is not taken into account while calculating national income by expenditure method?

   a) Household consumption
   b) Investment expenditure
   c) Purchase of shares and bonds
   d) Government expenditure

5. Net National Product is derived from Gross National Product by:

   a) Adding depreciation c) Subtracting depreciation
   b) Adding transfer payments d) Subtracting subsidies

6. Unemployment is at its highest point during a:

   a) Boom
   b) Recession
   c) Contraction
   d) Expansion

7. Unemployment caused when workers are in between jobs is **________** unemployment.

   a) Structural b) Frictional c) Regional d) Residual

8. Which combination of events is most likely to cause inflation?

   a) Falling direct taxes, falling money supply
   b) Falling direct taxes, rising money supply
   c) Rising direct taxes, falling money supply
   d) Rising direct taxes, rising money supply

9. A government resorts to __________ to reduce inflation.

   a) Cuts in government spending
   b) Increase in government expenditure
   c) Reduction in repo rate
   d) None of the above

10. When inflation is a result of an increase in the price of factors of production, the result is:

    a) Stagflation
    b) Cost-push inflation
    c) Demand-pull inflation
    d) None of the above

11. Which of the following is the banker's bank?

    a) The commercial bank
    b) The central bank
    c) Development banks
    d) The world bank

12. Which of the following is a function of the Central Bank?

    a) Issuing credit cards
    b) Making loans to individuals
    c) Printing new currency notes
    d) Investing in the public sector

13. The use of government spending and taxation to stabilize the economy is called:

    a) Fiscal policy
    b) Monetary policy
    c) Indexation
    d) Reserves

14. Monetary policy

    a) Increases the money supply
    b) Is a supply side policy
    c) Uses government spending
    d) Manipulates tax rates

15. When a pizza maker lists the price of a pizza as $10, this is an example of using money as a:

    a) store of value
    b) unit of account
    c) medium of exchange
    d) flow of value

16. Which of the following is a benefit of International Trade?

    a) Minimizes international specialization
    b) Discourages competition
    c) Increased access to goods and services
    d) Allows for the implementation of tariffs

17. The Balance of Payments is a critical accounting statement since it summarizes:

    a) Transactions between residents of a country and the rest of the world
    b) includes non-residents and the rest of the globe.
    c) Residents of a country and non-citizens
    d) None of the preceding options

18. “Balance of trade” is a word that refers to:

    a) Define the terms “service export” and “service import.”
    b) The total value of exported and imported services
    c) The contrast between product export and import
    d) The total value of exports and imports of goods

19. Dumping word refers to:

    a) Tariffs should be cut to make more money.
    b) A lower-priced sale of goods abroad is below the cost and price of their home market.
    c) Buying goods at low prices in another country and selling them at a higher price here.
    d) Expensive goods are being sold at low prices.

20. Which one of the following is international trade?

    a) Trade between regions
    b) Trade between countries
    c) Trade between provinces
    d) Both a and c

SECTION TWO - DATA RESPONSE

a) Draw and label the circular flow of income for a TWO-sector economy. Explain briefly. (9 marks)

b) Describe what is meant by a closed economy. (3 marks)

c) Differentiate between macroeconomics and microeconomics. (2 marks)

d) What are the injections and withdrawals out of the economic system for a 4 sector economy? (6 marks)

END OF EXAM