A Q A

ASSESSMENT and
QUALIFICATIONS
ALLIANCE

ECONOMICS   **ECN2/1**
Unit 2   Part 1   Objective Test: The National Economy

Wednesday 18 January 2006   9.00 am to 10.00 am

For this paper you must have:
- an objective test answer sheet
- a black ball-point pen
- the question paper for Part 2 (ECN2/2)

You may use a calculator.

Time allowed: the total time for papers ECN2/1 and ECN2/2 together is 1 hour

Instructions
- Use a black ball-point pen. Do **not** use pencil.
- Answer **all** questions.
- For each question there are four alternative responses. When you have selected the response which you think is the best answer to a question, mark this response on your objective test answer sheet. If you wish to change your answer to a question, follow the instructions on your objective test answer sheet.
- Do all rough work in this book, **not** on your answer sheet.

Information
- The maximum mark for this paper is 15 marks.
- Each question carries one mark. No deductions will be made for wrong answers.

Advice
- You are advised to spend no more than 15 minutes on paper ECN2/1.
- You should not spend too long on any question. If you have time at the end, go back and answer any question you missed out.

ECN2/1

OBJECTIVE TEST QUESTIONS

You are advised to spend no more than 15 minutes on these questions.

Each item consists of a question or an incomplete statement followed by four suggested answers or completions. You are to select the most appropriate answer in each case.

1   Which one of the following is most likely to shift the short run aggregate supply curve to the right?

    A   A fall in money wages

    B   A reduction in government spending

    C   A fall in the exchange rate

    D   A decrease in the productivity of labour

2   Economic growth is usually measured by the annual change in

    A   the retail price index.

    B   real national income.

    C   the output of manufacturing industry.

    D   consumer expenditure.

3   Which one of the following is an example of fiscal policy? A decision by the government to

    A   decrease the exchange rate.

    B   raise the minimum wage.

    C   increase its budget surplus.

    D   reduce the rate of interest.

4   A current account deficit on the UK's balance of payments means that generally

    A   the total value of imports exceeds the total value of exports.

    B   government expenditure exceeds government revenue.

    C   the value of imports of services is less than the value of exports of services.

    D   the volume of imports of goods and services exceeds the volume of exports of goods and services.

**5** The diagram below shows two long run aggregate supply curves for an economy.
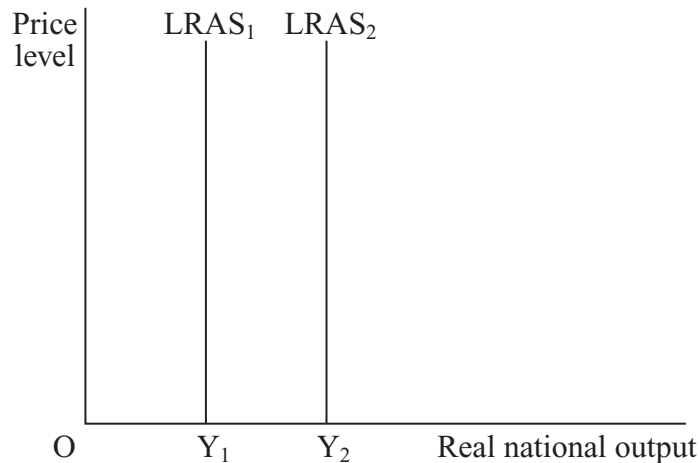
The economy is in equilibrium at Y_1. In order to move the economy to Y_2, a government should increase

A the exchange rate.

B interest rates.

C expenditure on education and training.

D the level of taxation on business.

6 An economy had nominal GDP growth of 8% last year, inflation of 5.5% and population growth of 2.5%. The approximate percentage change in real GDP per capita was

A −2.5

B 0

C +2.5

D +5.0

7 Which one of the following is most likely to raise an economy's underlying trend rate of economic growth?

A A fall in exports

B A rise in imports

C An increase in taxation

D An increase in investment

Turn over ▶

8 In the short run, an increase in the government's budget deficit is most likely to reduce

A imports.

B unemployment.

C interest rates.

D inflation.

9 All other things being equal, a fall in the level of labour productivity in the economy is most likely to lead to a

A shift to the left in the long run aggregate supply curve.

B shift to the right in the aggregate demand curve.

C rise in the trend rate of economic growth.

D reduction in the rate of inflation.

10 The diagram below shows two aggregate demand curves for an economy.
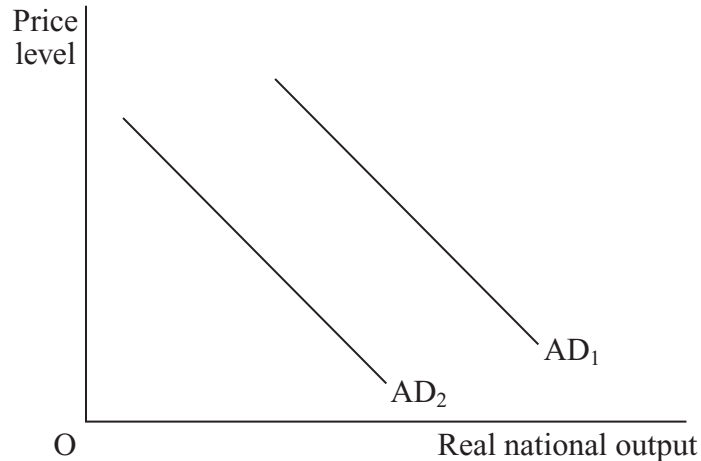
The shift from AD₁ to AD₂ could be explained by an increase in

A imports.

B the price level.

C costs of production.

D investment.

11 A large rise in interest rates is most likely to lead to an increase in

    A   national output.

    B   investment.

    C   unemployment.

    D   consumption.

12 Real incomes rise whenever

    A   nominal incomes rise.

    B   the price level rises by more than nominal incomes.

    C   nominal incomes rise by more than the price level.

    D   the rate of inflation slows down.

13 Investment, in economics, is best defined as

    A   spending on capital goods in the economy.

    B   the flow of money into the stock of savings.

    C   the profit kept back by firms to finance future expenditure on new machinery and equipment.

    D   the stock of economic resources such as factories and machinery.

14 The multiplier process refers to the effect of a change in the level of

    A   aggregate demand upon imports.

    B   national income upon aggregate demand.

    C   saving upon investment.

    D   investment upon national income.

Turn over ▶

15 Which one of the following is most likely to cause a fall in aggregate consumer spending?

    A   An increase in house prices

    B   A reduction in interest rates

    C   A rise in real national income

    D   A reduction in government spending on welfare benefits

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**QUESTION 15 IS THE LAST
QUESTION IN THE PAPER**

**On your answer sheet
ignore rows 16 to 60**

END OF TEST

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