

Practice Questions from February 4th

1. Which of the following would increase SRAS?
 - (a) An increase in business regulations.
 - (b) A decline in productivity.
 - (c) An increase in business subsidies.
 - (d) An increase in wage rates.
2. Which of the following would increase AD?
 - (a) A decrease in the price level.
 - (b) An increase in the price level.
 - (c) An increase in oil prices.
 - (d) A depreciation of the domestic currency (relative to the currencies of the country's major trading partners).
3. In the short-run, an increase in interest rates would lead to:
 - (a) a decrease in the price level.
 - (b) an increase in AD.
 - (c) an increase in RGDP.
 - (d) an increase in the price level.
4. In the short-run, an increase in wages would lead to:
 - (a) a decrease in RGDP.
 - (b) a decrease in the price level.
 - (c) a decrease in AD.
 - (d) an increase in SRAS.
5. A short-run decrease in the price level could be caused by:
 - (a) a decrease in SRAS.
 - (b) a decrease in income taxes.
 - (c) an increase in productivity.
 - (d) a decrease in interest rates.
6. A rightward shift in the SRAS curve would best be explained by:
 - (a) an increase in business taxes.
 - (b) an increase in productivity.
 - (c) an increase in interest rates.
 - (d) an increase in nominal wages.
7. A short-run increase in RGDP could be caused by:
 - (a) a decrease in SRAS.
 - (b) a decrease in income taxes.
 - (c) an increase in interest rates.
 - (d) an increase in nominal wages.

8. If the current exchange rate is $1 \text{ CAD} = 0.8 \text{ USD}$, then it would cost _____ Canadian dollars to buy one hundred US dollars.
- (a) 108.
 - (b) 125.
 - (c) 92.
 - (d) 80.
9. If the CAD/USD exchange rate was $1 \text{ CAD} = 0.98 \text{ USD}$ one year ago, and is $1 \text{ CAD} = 0.80 \text{ USD}$ today, then:
- (a) The CAD has appreciated relative to the USD by 22.5%.
 - (b) The CAD has depreciated relative to the USD by 10.5%.
 - (c) The USD has appreciated relative to the CAD by 22.5%.
 - (d) The USD has depreciated relative to the CAD by 5.8%.
10. If $1 \text{ CAD} = 0.80 \text{ USD}$, and $1 \text{ USD} = 0.50 \text{ EUR}$, then we can conclude that:
- (a) $1 \text{ CAD} = 1.30 \text{ EUR}$.
 - (b) $1 \text{ CAD} = 0.40 \text{ EUR}$.
 - (c) $1 \text{ EUR} = 0.25 \text{ CAD}$.
 - (d) $1 \text{ EUR} = 1.30 \text{ CAD}$.