



Faculty of Commerce, Benha University
National Economic Accounts

Level 4

Course Code:

Economics E423

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Tutorial 7

1. Purchases of dwellings are final uses but are included, not in consumption expenditure, but in gross fixed capital formation

A) true

B) false

2. Non-inflationary growth above potential GDP can only be obtained by increasing the apparent productivity of capital and labour and one of the ways to achieve this is via structural reforms.

A) true

B) false

3. Some of these purchases are made on credit. In this case, the national accountant has to break the transaction down into three parts:

A) the price of the good itself (for example, a car); and the payment of interest.

B) the administrative expenses of the financial company making the loan.

C) A&B

D) None of the above

4. The production possibilities frontier

A) refers to the technology used in such goods as computers and military aircraft.

B) once applied to U.S. technology but now refers to Japanese technology.

C) marks the boundary between attainable combinations of goods and services and unattainable combinations.

D) is also called the supply curve.

5. The production possibilities frontier is the boundary between

A) those combinations of goods and services that can be produced and those that can be consumed.

B) those resources that are limited and those that are unlimited.

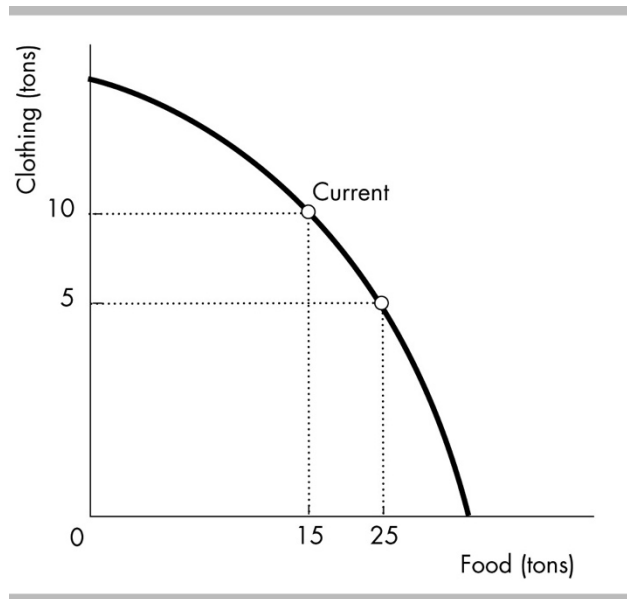


- C) those combinations of goods and services that can be produced and those that cannot.
D) those wants that are limited and those that are unlimited.
6. The production possibilities frontier represents
- A) the maximum amount of labor and capital available to society.
 - B) combinations of goods and services among which consumers are indifferent.
 - C) the maximum levels of production that can be attained.
 - D) the maximum rate of growth of capital and labor in a country.
7. Which of the following is NOT true concerning a society's production possibilities frontier (*PPF*)?
- A) It reveals the maximum amount of any two goods that can be produced from a given quantity of resources.
 - B) Tradeoffs occur when moving along a *PPF*.
 - C) Production efficiency occurs when production is on the frontier itself.
 - D) Consumers will receive equal benefits from the two goods illustrated in the *PPF*.
8. Production efficiency occurs when production _____.
- A) is at a point beyond the production possibilities frontier
 - B) is on the production possibilities frontier or inside it
 - C) is at any attainable point
 - D) is on the production possibilities frontier
9. Which of the following is NOT illustrated by a production possibilities frontier?
- A) scarcity
 - B) opportunity cost
 - C) necessity for choice
 - D) who gets the goods
10. Any production point outside the production possibilities frontier is
- A) unattainable.
 - B) associated with unused resources.
 - C) attainable only if prices fall.
 - D) attainable only if prices rise.
11. Scarcity is represented on a production possibilities frontier figure by
- A) the amount of the good on the horizontal axis forgone.
 - B) the fact that there are only two goods in the diagram.
 - C) technological progress.
 - D) the fact there are attainable and unattainable points.



12. The below figure illustrates that if this country wishes to move from its current production point (labeled "Current") and have 10 more tons of food, it can do this by producing

- A) 10 more tons of clothing.
- B) 10 fewer tons of clothing.
- C) 5 more tons of clothing.
- D) 5 fewer tons of clothing.



13. Suppose the country of Popcorn produces only jets and corn. If Popcorn cannot produce any more jets without giving up corn, we say that Popcorn has achieved

- A) the highest marginal benefit.
- B) production efficiency.
- C) the lowest marginal cost.
- D) the highest opportunity cost.

14. Production efficiency can be defined as

- A) producing outside the production possibilities frontier.
- B) minimizing opportunity cost.
- C) being able to produce more of one good only if less of another is produced.
- D) providing for the immediate needs of the greatest proportion of the population.

15. If an economy is operating at a point inside the production possibilities frontier, then

- A) society's resources are being inefficiently utilized.
- B) the *PPF* curve will shift inward.
- C) society's resources are being used to produce too many consumer goods.
- D) economic policy must retard further growth of the economy.

16. When resources are assigned to inappropriate tasks, that is, tasks for which they are not the best match, the result will be producing at a point

- A) where the slope of the *PPF* is positive.



- B) where the slope of the *PPF* is zero.
- C) inside the *PPF*.
- D) outside the *PPF*.

17. Production efficiency requires that

- A) it is impossible to produce more of one good without producing less of some other good.
- B) production is at a point on the *PPF*.
- C) resources are assigned to the task for which they are the best match.
- D) All of the above answers are correct.

18. Using the production possibilities frontier model, unemployment is described as producing at a point

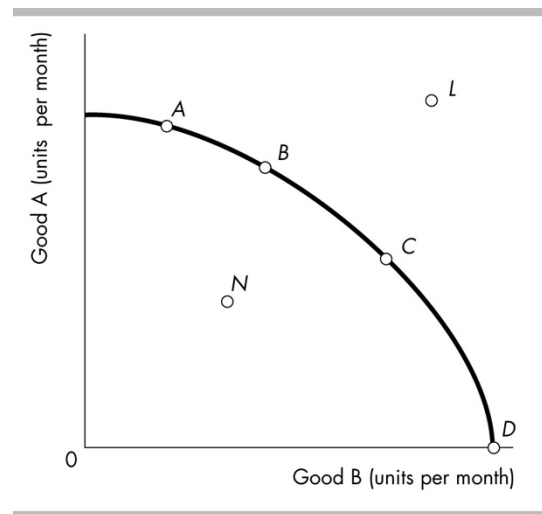
- A) on the exact middle of the *PPF* curve.
- B) on either end of the *PPF* curve.
- C) inside the *PPF* curve.
- D) outside the *PPF* curve.

19. In the following figure, which point represents an unattainable production combination of the two goods?

- A) Point *C*
- B) Point *L*
- C) Point *D*
- D) Point *N*

20. In the above figure, which point represents an attainable but inefficient production point?

- A) Point *C*
- B) Point *N*
- C) Point *L*
- D) Point *D*



21. Any change that makes at least one individual better off and no one worse off is an improvement in social welfare, such criterion is known as.....

- A) Bentham's Criterion
- B) Cardinalist Criterion
- C) Pareto Optimality Criterion
- D) Kaldor-Hicks Compensation Criterion

