



Faculty of Commerce, Benha University
National Economic Accounts

Level 4

Course Code:

Economics E423

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Tutorial 5

1. Which of the following statements is true about the production function?

- a. It shows the technological relationship between cost and inputs
- b. It shows the technological relationship between output and input
- c. It shows the technological relationship between price and inputs
- d. It shows the economic relationship between output and input

2. Which of the following is the true meaning of opportunity cost?

- a. It is the next best alternative that is available in a given situation
- b. It is the next best alternative that is sacrificed in a given situation
- c. Both a and b are correct
- d. Both a and b are incorrect

3. The term “MFP” stands for

- a. money for production
- b. multifactor productivity
- c. multiple final prices
- d. minimum final products

4. To economists, the common thing between the short run and the long is that In both.....

- a. capital is fixed
- b. labor is variable
- C. production is absent.
- D. None of above

5. The short run is a time period in which.....

- a. all resources are fixed.
- b. the level of output is fixed.
- C. the size of the production plant is variable.
- D. some resources are fixed and others are variable.

6. If the observed GDP is lower than the potential GDP, there is said to be a.....

- a. negative output gap
- b. positive output gap
- c. Neutral output gap
- d. potential gap

7. If the observed GDP exceeds the potential GDP, there is said to be a.....



- a. negative output gap b. positive output gap c. Neutral output gap d. potential gap

8. The apparent productivity of labour is usually measured by relating the wealth created to the labour factor where the wealth created is measured by the added value evaluated in

- a. Prices b. volume c. percentages d. None of the above

9. Although the services provided by the general government are not sold, they are included as output (value added) in the national accounts and are called

- a. non-market services b. market services c. non-traded output d. imputed services

10. Although the rate of home ownership varies markedly among countries, Imputations should never be carried out

- a. true b. false

11. MFP provides the main driving force behind short-term increases in the standard of living.

- a. true b. false

12. the unsold production, known asof general government and non-profit institutions

- a. non-market output b. market output
c. intermediate input d. imputed rents

13. intermediate consumption equals the purchases during the period minus the change (positive or negative) in the value of the inventories of goods and services for intermediate consumption.

- a. true b. false

14. is defined as output or value added per person employed or per hour worked.

- a. Apparent labour productivity b. multifactor Productivity
c. Average Productivity d. Marginal productivity

15. NAIRU refers to Non Accelerated Inflation Rate of Unemployment. According to Philip Curve, NAIRU is the rate of employment at which the inflation is equal to expected inflation rate.

- a. true b. false

16. If the actual unemployment rate is one percentage point below NAIRU, then "Okun's Law"

- a. can not be used to estimate the relationship between real and potential GDP.



- b. suggests that real GDP will be 2.5 percentage above potential GDP.
- c. suggests that real GDP will be 0.5 percentage above potential GDP.
- d. suggests that real GDP will be 0.5 percentage below potential GDP.

Explain And Discuss

17. it is necessary to adjust the figures for inventory changes obtained from company accounts...why?

18. The following information relates to Sugar Ltd, which manufactures and sells product A. Data regarding cost of A is

PRODUCT A	
	£ per unit
Direct materials (20 litres @ £1 per litre)	20
Direct Labour (4 hours @ £10 per hour)	40
	60
Selling Price	84
Contribution	24

Sugar Ltd is currently deciding as to whether to accept a new job from a particular customer, which will use 20 labour hours.

Answer the following:

1. What will be the relevant cost of labour if Sugar Ltd has enough spare capacity in labour hours to undertake this job?
2. What will be the relevant cost of labour if Sugar Ltd doesn't have any spare capacity and can only fulfil this job by either:
 - a. Paying overtime to current staff at time and a half
 - b. Recruits temporary staff at £8 per hour
3. What will be the relevant cost of labour if
 - a. labour is in short supply
 - b. Sugar Ltd has spare capacity of only 5 labour hours and needs to use current workforce for the remainder.