

## **Week #8 Worksheet Solutions - Defining GDP ~ Equation of Real GDP**

1. Which of the following is NOT a part of this year's GDP?
  - a. The value of new houses built during the year.
  - b. The value of a new car produced and purchased during the year.
  - c. The value of a repair on your car this year.
  - d. The value of sales of stocks and bonds bought and sold during the year.**
  
2. Suppose nominal GDP increases and real GDP decreases this year. It can be concluded that  
\*There are two correct answers.
  - a. there was an economic contraction this year.**
  - b. the price level increased this year.**
  - c. inflation was zero this year.
  - d. there was an economic expansion this year.
  
3. Which of the following changes would contribute to a decrease in real GDP?
  - a. An increase in the real value of government purchases.
  - b. An increase in the real value of imports.**
  - c. An increase in the real value of exports.
  - d. An increase in real consumption.
  - e. Either (b) or (c).
  
4. Which component of GDP is most likely to be negative?
  - a. Imports
  - b. Net exports**
  - c. Consumption
  - d. Gross private domestic investment
  - e. Government purchases
  
5. GDP is \$8 trillion. If consumption is \$5 trillion, investment is \$1 trillion, and government purchases are \$2 trillion, then
  - a. There's a balance of trade deficit
  - b. Net exports are negative
  - c. Exports are equal to imports**
  - d. Net exports are positive