

MacPrin-quiz-ch.11**Multiple Choice**

Identify the letter of the choice that best completes the statement or answers the question.

- _____ 1. The consumer price index is used to
- track changes in the level of wholesale prices in the economy.
 - monitor changes in the cost of living.
 - monitor changes in the level of real GDP.
 - track changes in the stock market.
- _____ 2. Which goods are supposed to be included in the CPI?
- all goods and services produced in the economy
 - all goods and services that typical consumers buy
 - all goods and services in the consumption component of the GDP accounts
 - all the goods, but not the services, in the consumption component of the GDP accounts
- _____ 3. How are the weights on the various goods and services in the CPI basket determined?
- All goods and services are weighted equally.
 - A survey is conducted to determine how much of each good and service typical consumers purchase.
 - the weights equal the ratio of expenditures on each good or service divided by the total consumption expenditures in the GDP accounts.
 - Each good and service is weighted according to its price.

Use the table below to answer the following questions.

Table 11-2

year	price of pork	price of corn
2003	\$20	\$20
2004	\$20	\$30

- _____ 4. Refer to Table 11-2. Suppose that the basket of goods in the CPI consisted of 3 units of pork and 2 units of corn. What is the consumer price index for 2004 if the base year is 2003?
- 100
 - 105
 - 115
 - 120
- _____ 5. The market basket used to calculate the CPI in Aquilonia is 4 loaves of bread, 6 gallons of milk, 2 shirts and 2 pants. In 2001 bread cost \$1.00 per loaf, milk cost \$1.50 per gallon, shirts cost \$6.00 each and pants cost \$10.00 per pair. In 2002 bread cost \$1.50 per loaf, milk cost \$2.00 per gallon, shirts cost \$7.00 each and pants cost \$12.00 per pair. What was the inflation rate, as measured by the CPI, for Aquilonia between 2001 and 2002?
- 30 percent
 - 24.4 percent
 - 21.6 percent
 - It is impossible to determine without knowing the base year.

Name: _____

ID: A

- _____ 6. Suppose the price of a gallon of ice cream rises from \$4 to \$5 and the price of coffee rises from \$2 to \$2.50 . If the CPI rises from 150 to 200 people will likely buy
- more ice cream and more coffee.
 - more ice cream and less coffee.
 - less ice cream and more coffee.
 - less ice cream and less coffee.
- _____ 7. Suppose that lawn mowers are part of the market basket used to compute the CPI. Then suppose that the quality of lawn mowers improves while the price of lawn mowers stays the same. If the Bureau of Labor Statistics precisely adjusts the CPI for the improvement in quality, then, other things equal,
- the CPI will rise.
 - the CPI will fall.
 - the CPI will stay the same.
 - lawn mowers will no longer be included in the market basket.
- _____ 8. Most, but not all, athletic apparel sold in the United States is imported from other nations. If the price of athletic apparel increases, the GDP deflator will
- increase less than will the consumer price index.
 - increase more than will the consumer price index.
 - not increase, but the consumer price index will increase.
 - increase, but the consumer price index will not increase.

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Answer Section**MULTIPLE CHOICE**

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|--------------|--------|--------------------|
| 1. ANS: B | DIF: 1 | REF: SECTION: 11.0 |
| OBJ: TYPE: M | | |
| 2. ANS: B | DIF: 1 | REF: SECTION: 11.1 |
| OBJ: TYPE: M | | |
| 3. ANS: B | DIF: 1 | REF: SECTION: 11.1 |
| OBJ: TYPE: M | | |
| 4. ANS: D | DIF: 2 | REF: SECTION: 11.1 |
| OBJ: TYPE: M | | |
| 5. ANS: B | DIF: 3 | REF: SECTION: 11.1 |
| OBJ: TYPE: M | | |
| 6. ANS: A | DIF: 2 | REF: SECTION: 11.1 |
| OBJ: TYPE: M | | |
| 7. ANS: B | DIF: 3 | REF: SECTION: 11.1 |
| OBJ: TYPE: M | | |
| 8. ANS: A | DIF: 1 | REF: SECTION: 11.1 |
| OBJ: TYPE: M | | |