AP Macroeconomics Practice

Choose one answer per question. Circle A, B, C, or D.

1. A bakery in a fictional economy buys a newly made domestic oven for its kitchen. Which spending category includes this purchase in the expenditure approach to GDP?
   A. Business investment
   B. Household consumption
   C. Government purchases
   D. Exports

2. A survey in a fictional economy identifies employed adults, adults without jobs who are available and actively seeking work, and retired adults who are neither working nor looking. Which groups make up the labor force?
   A. Available active job seekers and retired adults outside the job market
   B. Employed adults and retired adults outside the job market
   C. Employed adults and available active job seekers
   D. Employed adults only

3. Which curve shows how much domestically produced final output buyers across a fictional economy plan to purchase at each overall price level?
   A. Short-run aggregate supply
   B. Aggregate demand
   C. Long-run aggregate supply
   D. Demand for a single product

4. A fictional legislature votes to change government purchases and income tax rates to influence total spending. Which kind of policy is it using?
   A. Competition policy
   B. Monetary policy
   C. Exchange-rate policy
   D. Fiscal policy

5. An accountant for a fictional economy has separate totals for exports and imports of goods and services. What calculation gives net exports for the expenditure approach to GDP?
   A. Imports minus exports
   B. Exports minus imports
   C. Exports plus imports
   D. Exports divided by imports

6. A fictional survey counts 108 employed people, 12 unemployed people, and 30 people outside the labor force. What is the unemployment rate?

A. 10%
B. 8%
C. 11.1%
D. 20%

7. A fictional economy produces only 30 finished lamps and 12 finished desks this year. In the base year, lamps cost $20 and desks cost $50. This year, their prices are $25 and $55. What is this year's real GDP using fixed base-year prices?

A. $1,260
B. $1,410
C. $1,350
D. $1,200

8. A fictional economy's fixed basket contains two bus tickets and three meals. A ticket cost $4 and a meal cost $8 in the base year. Now a ticket costs $7 and a meal costs $10. If the base-year index is 100, what is the current index?

A. 150
B. 125
C. 137.5
D. 37.5

9. Households in a fictional economy plan to buy more domestically produced output at every overall price level. Assume investment, government purchases, net exports, and production conditions are unchanged. What happens in the aggregate demand and supply model?

A. The aggregate demand curve shifts right.
B. The aggregate demand curve shifts left.
C. The economy moves down along the original aggregate demand curve.
D. The short-run aggregate supply curve shifts right.

10. In a fictional economy, a common input becomes more expensive for producers across many industries. Aggregate demand and other production conditions are unchanged. What happens to short-run aggregate supply?

A. It stays fixed, and firms move down along the curve.
B. It shifts right as firms supply more output at each price level.
C. It stays fixed, and firms move up along the curve.
D. It shifts left as firms supply less output at each price level.

11. In a fictional fixed-price model with spare capacity, no taxes or imports, and no offsetting changes in other spending, households spend 75% of each additional dollar of income. Government purchases rise by $20 million. What is the resulting increase in equilibrium output?

A. $15 million
B. $20 million
C. $80 million
D. $60 million

12. A fictional central bank uses an ample-reserves framework. It raises the interest rate it pays banks on their reserve balances and other conditions stay fixed. Which response is consistent with this policy tool?

A. Short-term market interest rates tend to fall.
B. Short-term market interest rates tend to rise.
C. Only long-term market interest rates tend to change.
D. Short-term market interest rates stay fixed by definition.

13. A fictional economy enters a downturn. Which response illustrates an automatic fiscal stabilizer?

A. The central bank cuts the rate it pays on reserve balances.
B. Lawmakers pass a new bill lowering income tax rates.
C. Lawmakers vote to authorize a new public construction program.
D. Households owe less income tax as their taxable earnings fall under existing rules.

14. In a fictional economy with downward-sloping aggregate demand and upward-sloping short-run aggregate supply, buyers increase planned spending at every price level as higher input costs reduce output supplied at every price level. What happens at the new short-run equilibrium?

A. The price level rises. The direction of change in real output depends on the size of the shifts.
B. Real output rises. The direction of change in the price level depends on the size of the shifts.
C. The price level falls. The direction of change in real output depends on the size of the shifts.
D. Real output falls. The direction of change in the price level depends on the size of the shifts.

15. In two fictional economies, the exchange rate rises from 2 to 3 foreign currency units per home currency unit. A home export still costs 12 home units and a foreign import still costs 24 foreign units. At the new rate, what does the foreign buyer pay for the export, and what does the home buyer pay for the import?

A. 36 foreign units for the export and 12 home units for the import
B. 24 foreign units for the export and 12 home units for the import
C. 36 foreign units for the export and 8 home units for the import
D. 24 foreign units for the export and 8 home units for the import