

Term test (SAMPLE)

Name: _____

Class: _____ ()

Time allowed: 30 minutes

Marks
24

Book 5 chapters covered

19. Measurement of economic performance (I) — GDP and GNI
20. Measurement of economic performance (II) — National income statistics and the general price level

INSTRUCTIONS

1. This test consists of two parts, (I) multiple-choice questions and (II) short questions.
2. Answer ALL questions.
3. Write your answers in the spaces provided.

(I) Multiple-choice questions (8 marks)

There are 8 questions in this part. Choose the **BEST** answer for each question.

1. Which of the following would be included in the calculation of an economy's GDP?
- A. A scholarship that a secondary school student receives
 - B. The expenditure by an elderly person on domestically grown fruits after receiving a government old-age allowance
 - C. The price difference a student gains from reselling a concert ticket for a local singer
 - D. The value of a newly issued government bond used to finance the development of new towns

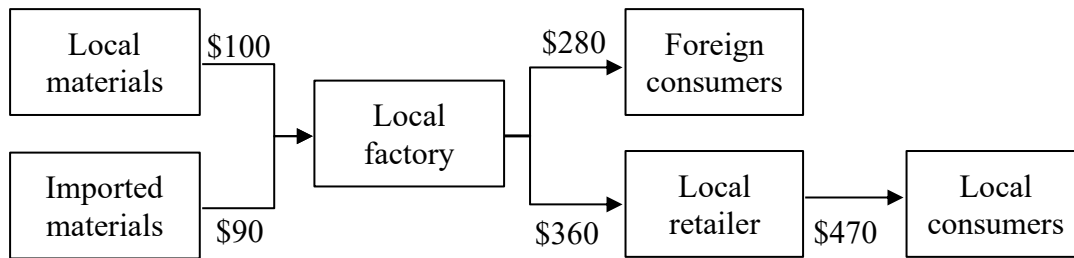
2. Consider the following gross domestic product (GDP) data for a country.

Components	\$ million
Private consumption expenditure	222
Net domestic fixed capital formation	260
Changes in inventories	- 50
Government consumption expenditure	300
Domestic exports of goods	80
Re-exports of goods	14
Total imports of goods	21
Net exports of services	75
Net factor income from abroad	100
Depreciation	70
Indirect taxes	65

The GDP at market price is \$ _____ million.

- A. 880
- B. 885
- C. 950
- D. 1,050

Study the following diagram about the production chain for a good in an economy and answer Questions 3 and 4.



3. What is the contribution of the local factory to the economy's GDP at market price?
- A. \$450
 - B. \$530
 - C. \$660
 - D. \$740

4. Suppose the above production chain includes a subsidy of \$80 that is given to the local retailer. What is the contribution of the above production chain to the economy's GDP at factor cost?
- A. \$560
 - B. \$640
 - C. \$660
 - D. \$740

5. Which of the following would be deducted from Hong Kong's GDP to calculate the gross national income (GNI) of Hong Kong?
- A. The salary an Italian consultant receives for working in Hong Kong for 15 months
 - B. The dividend distributed to a Hong Kong resident who holds the shares of an Australian company
 - C. The fee paid by a Hong Kong entertainment company to a K-pop group for performing as guest artists at a concert
 - D. The rent a Hong Kong resident receives from leasing his properties in the mainland to a mainland resident

6. Suppose a closed economy produces rice and cars only. The outputs of Year 1 and Year 2 are as follows:

Year	Quantity of rice (unit)	Unit price of rice (\$)	Quantity of cars (unit)	Unit price of cars (\$)
1	35	7	29	8
2	30	6	40	9

Based on the above table, we can conclude that: From Year 1 to Year 2,

- (1) the nominal GDP increased.
- (2) the real GDP decreased.
- (3) the cost of living increased.

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (3) only
- D. (1), (2) and (3)

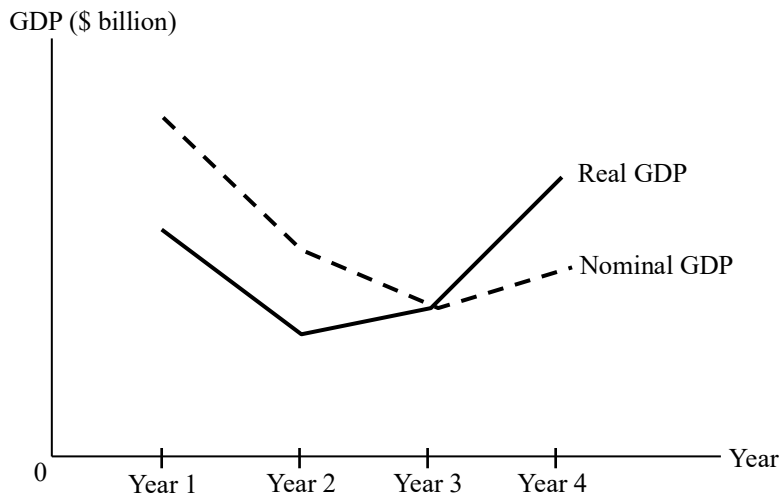
7. The following table shows some data for an economy.

	Growth rate	
	2024	2025
Nominal GDP	4%	3%
General price level	0%	- 1%
Population	2%	0%

Which of the following statements about the economy is correct?

- A. The size of the population decreased in 2025.
- B. The growth rate of the nominal GDP was higher than the real GDP in 2025.
- C. The per capita nominal GDP in 2025 was the same as that in 2024.
- D. The real GDP increased in 2025.

8. The following diagram shows an economy's gross domestic product (GDP).



Which of the following statements about the economy is correct?

- A. There was inflation between Year 1 and Year 2.
- B. Year 3 is the base year.
- C. The price level decreased between Year 2 and Year 4.
- D. The GDP deflator was greater than 100 in Year 4.



TERM TEST (SAMPLE)

Name: _____

Class: _____ ()

Time allowed: 40 minutes

Marks
45

Book 5 chapters covered

- | | |
|---|--|
| 19. Measurement of economic performance (I) — GDP and GNI | 23. Aggregate demand and aggregate supply (II) — Determination of output level |
| 20. Measurement of economic performance (II) — National income statistics and the general price level | 24. Government revenue, expenditure and budget |
| 21. Macroeconomic problems | 25. Fiscal policy |
| 22. Aggregate demand and aggregate supply (I) — Basic concepts | |

INSTRUCTIONS

1. This test consists of two parts, (I) multiple-choice questions and (II) short questions and structured questions.
2. Answer ALL questions.
3. Write your answers in the spaces provided.

(I) Multiple-choice questions (10 marks)

There are 10 questions in this part. Choose the **BEST** answer for each question.

1. Study the following data for an economy.

Components	\$ million
Private consumption expenditure	500
Net domestic fixed capital formation	260
Decrease in stock	100
Government consumption expenditure	430
Total exports of goods	370
Re-exports of goods	140
Total imports of goods	210
Net exports of services	850
Depreciation	70
Indirect taxes	65

The gross domestic product (GDP) at market price is \$ _____ million.

- A. 2,100
- B. 2,170
- C. 2,235
- D. 2,310

2. Which of the following items is NOT included in the calculation of Hong Kong's net factor income from abroad for the current year?

- A. Dividends earned by a UK resident from the shares of a Hong Kong listed company
- B. Salary for an Indian consultant who worked at an IT company in Hong Kong for six months
- C. Rental income a Hong Kong resident earns from residential properties in Australia
- D. The income received by a US dancer who worked in a theatre in Hong Kong for one year

3. The following table shows the gross domestic product (GDP) data for an economy in a certain year.

	Growth rate (relative to previous year)
Real GDP	-1.3%
Nominal GDP	-2.4%
Population size	-3.1%

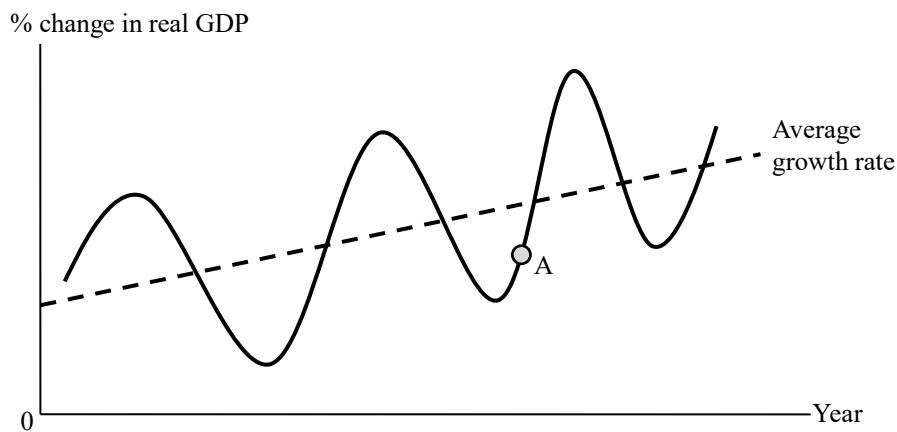
According to the information above, we can conclude that in that year, the price level _____ and the per capita nominal GDP _____.

- A. increased ... increased
- B. increased ... decreased
- C. decreased ... increased
- D. decreased ... decreased

4. Suppose a number of retired persons have re-entered the labour market and are working part-time for less than 30 hours per week. As a result, the unemployment rate of Hong Kong _____.

- A. would increase
- B. would decrease
- C. would remain unchanged
- D. cannot be determined

5. Study the following diagram.



Which of the following phenomena can be observed in an economy when it is operating at point A?

- (1) Inventory level of firms is increasing.
- (2) Real value of money is decreasing.
- (3) Labour employment level is decreasing.
- (4) Business confidence of firms is increasing.

- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (4) only
- D. (3) and (4) only



6. Which of the following are indirect taxes in Hong Kong?

- (1) Salaries tax
- (2) Hotel accommodation tax
- (3) Air passenger departure tax
- (4) General sales tax

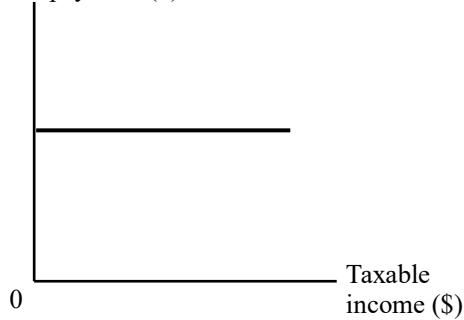
- A. (1) and (2) only
- B. (2) and (3) only
- C. (1), (3) and (4) only
- D. (2), (3) and (4) only



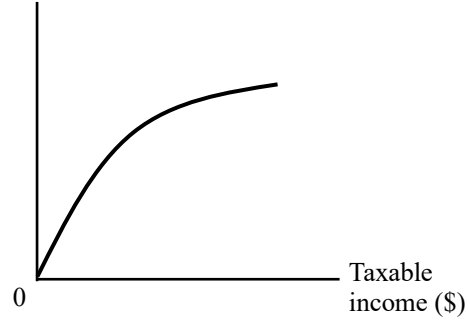
7. Which of the following statements about unemployment is correct?
- A. When the short run aggregate output decreases, the natural rate of unemployment will rise.
 - B. When an economy is at the peak phase of a business cycle, its natural rate of unemployment may be negative.
 - C. A rise in the cyclical unemployment rate implies a rise in the actual rate of unemployment.
 - D. When an economy is in long run equilibrium, the actual unemployment rate is zero.

8. Which of the following diagrams describe a progressive tax?

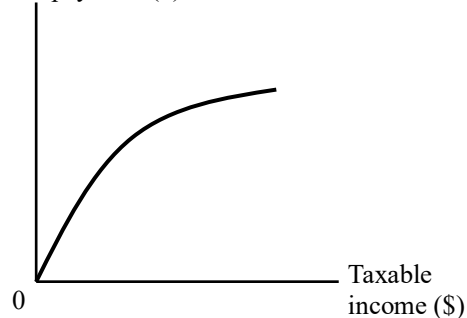
(1) Tax payment (\$)



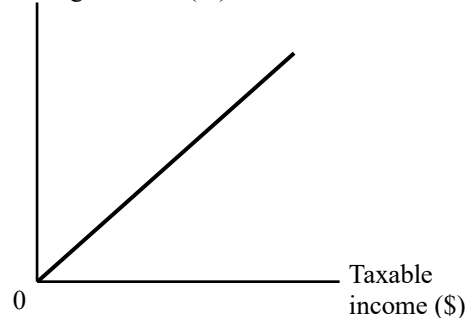
(2) Average tax rate (%)



(3) Tax payment (\$)



(4) Average tax rate (%)



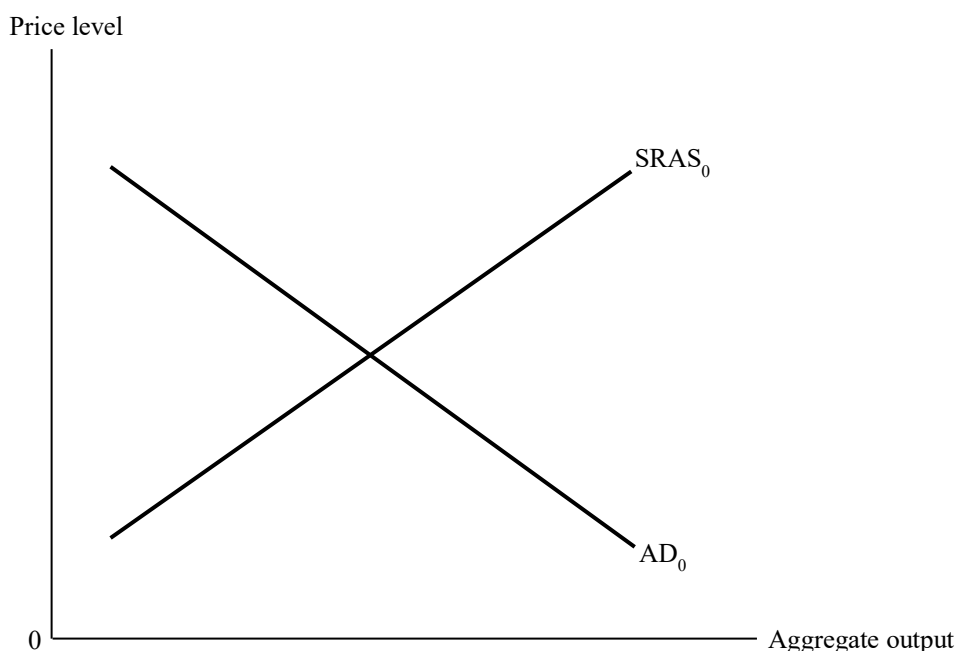
- A. (1) and (2) only
- B. (1) and (3) only
- C. (2) and (4) only
- D. (3) and (4) only

9. Suppose Country A increases the quota for inbound tourists. Which of the following would offset its effect on the aggregate output of the country?
- A. The government reduces the production subsidy for the agricultural industry.
 - B. The government increases the tax allowance for salaries tax.
 - C. Firms become optimistic about the economic prospects of the country.
 - D. Landlords reduce the rent for their office and retail premises.

10. Suppose a government collects less tax from households and reduces expenditure by the same amount. The effect on aggregate demand will be _____.
- A. expansionary
 - B. contractionary
 - C. neutral
 - D. indeterminate

5. Figure 2 shows the aggregate demand (AD) and short run aggregate supply (SRAS) curves of Economy X.

Figure 2



A deflationary (output) gap exists in Economy X.

- Define deflationary (output) gap. (1 mark)
- Indicate the deflationary (output) gap in Figure 2. (1 mark)

Suppose the government of Economy X reduces the profits tax rate.

- With the aid of Figure 2, explain how the above policy helps restore Economy X to long run equilibrium. (5 marks)
- 'The unemployment rate is still positive in the long run equilibrium.' Justify the above statement with TWO types of unemployment. (4 marks)
- For EACH type of unemployment you cited in part (d), suggest ONE government measure that could help reduce it. (2 marks)
