

Place your name on the back of this sheet of paper and nowhere else. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

The HP 10B and the TI BA II Plus are acceptable in all courses in the Department of Economics and Business. The former is the preferred calculator.

1) (10 points) Which part of my web page, <http://mysite.bethanywv.edu/wcsaplar/> do you think will be most helpful? Why? Is anything missing that you would like to see? What is the URL for the first exam from this class during the last semester it was taught?

2) (10 points) Which part of the Department of Economics and Business's web page, <http://www2.bethanywv.edu/~econ/> do you think will be most helpful? Why? Is anything missing that you would like to see? If you were a sophomore Business major, then what courses does the departmental web page suggest you be taking this semester?

3) (15 points) As you can see, in the typing to the right, there is a big difference between translating and

explaining. Explain  $r = \frac{i - \pi^e}{1 + \pi^e}$

sure you do not just "translate" the equation and that you explain both of the " $\pi^e$ " terms as well as the " $i$ ". (Hint on typing " $i$ ," type " $ii$ " and then type the rest of the answer. Then go back delete the second " $i$ " in the " $ii$ ." Do not type "space" after you got it down to one letter because then the software will capitalize the letter.)

Make  
பாஷும் தெளி தேலும் பாதும்  
பருப்புமி அவ நாஸும் கலந்து கூக்கு  
நான் தருவேன்  
கோஸும் செம்  
கூங்குட் கரிசுக்கு சூமணியே !

4) (10 points each) How much does GDP change in each event? Explain how you reached the conclusion. If you GDP changes, tell me which part of GDP and how you determined that.

A) A foreign student pays his tuition at Bethany College.

B) I pay you to shovel my walk.

C) You buy stock in Google because you think it is the only stock which will do well this year.

5) (15 points) Use the table on the right to calculate real GDP, CPI, and the inflation rate using 2004 as the base year. Show all work.

|         | P 2004    | Q 2004      | P 2005    | Q 2005      |
|---------|-----------|-------------|-----------|-------------|
| Hats    | \$10/hat  | 10 hats     | \$11/hat  | 12 hats     |
| Bananas | \$2/bunch | 100 bunches | \$3/bunch | 110 bunches |

6) (20 points) Use the following data to calculate GDP, GNP, NNP, NI, PI, and DPI. Consumers buy \$1000 worth of goods. Firms buy \$500 worth of machines. The government buys \$600 worth of services. We import \$200 worth of goods and export \$150 worth. We paid foreigners \$10 worth of interest and received \$12. Capital lost \$40 worth of value. Firms paid \$30 worth of business taxes and retained \$25 of earnings. Consumers paid \$120 worth of income tax. Show all work. If you need data which is not provided, assume it is zero.