This comprehensive exam assesses your understanding of content from across all chapters covered in class. The exam constitutes 30% of your final grade.

Date: Thursday, June 19, 2014
Duration: 2 hours
Materials allowed: Pen, pencil, eraser, calculator

Format:
Part A: Multiple Choice (Knowledge – 44 marks)
Part B: Economic Analysis (Thinking – 19 marks)
Part C: Economic Computations (Application – 32 marks)
Part D: Case Study (Thinking – 8 marks; Communication – 8 marks)
Part E: Long Answer (Communication 20 marks)

Total: 130 marks

Unit 1: Introduction to Economic Fundamentals
- What is the economic problem?
- How do microeconomics and macroeconomics differ?
- How do positive and normative statements differ?
- What is opportunity cost?
- What is a PPC and how is it used to calculate opportunity cost?
- What are marginal cost and marginal benefit?
- What are the factors of production? What are the payments associated with each?
- What is a hidden economy? Does it hurt or help a country’s GDP? Why?
- What is demand? Quantity demanded? Why is the demand curve downward sloping?
- What are the determinants of demand and how do these affect demand?
- What is supply? Quantity supplied? Why is the supply curve upward sloping?
- What is price elasticity of demand? What are the different types of price elasticity of demand? What determines the price elasticity of demand for a good or service?
- How do you calculate the coefficient of price elasticity of demand?

Unit 2: Economic Indicators
- What is economic growth? What stimulates economic growth?
- What is GDP? Describe the pros and cons of GDP as a measurement tool. (Refer to your case study.)
- How is GDP calculated using the expenditures approach? Income approach? What are the components of each?
- What are exports? Imports? Net exports?
- What is the difference between nominal GDP and real GDP?
- What is the CPI? How can the CPI be used to calculate the rate of inflation?
- How can knowledge of the CPI be used to compare prices from different years?
- What is the rule of 70? How is it applied to a calculation?
- What is Okun’s law? How is it applied to a calculation?
- How does inflation affect real income? How does it affect a bank’s interest rate?
- What are the different types of unemployment? What is the meaning of full-employment?
- How is the unemployment rate calculated?
- What is meant by the term working age population? Labour force?
Unit 3: Aggregate Models
- What is meant by the term aggregate demand, aggregate supply, and aggregate expenditures?
- How is aggregate expenditures calculated? Which components are partially autonomous and which are wholly autonomous?
- How is each component of aggregate expenditures calculated?
- What is the marginal propensity to consume? The marginal propensity to expend? The marginal propensity to import? The marginal tax rate? The marginal leakage rate? How are these determined? How are these calculated?
- What is the multiplier? Why is it significant? How is it calculated, and how is it used in a calculation?
- How does a recession affect aggregate demand and aggregate supply?
- Explain how taxes, wages, and exchange rates affect AD or AS.
- What is an inflationary gap? A recessionary gap? Explain how these gaps can be closed so that the economy returns to equilibrium.

Unit 4: Money and Banking
- Explain the different functions of money.
- Explain the different characteristics of money?
- What are the different definitions of money?
- Explain the banking industry in Canada. What type of banking system do we have compared to the U.S.?
- What is meant by a fractional reserve system? What is a reserve? What are excess reserves?
- Calculate how the banking system creates money. What happens when an individual deposits money into a demand deposit at the bank? What roles do excess reserves and the money multiplier play?
- How is the demand for money determined? What are the two types of money demand?
- What is the money supply?
- What is meant by the term “money market equilibrium”?
- What is the “price” of money and what are the repercussions of an increase or decrease in this price?
- Explain the Keynesian view of money supply and its affect on bond prices and the level of national income.

Unit 5: Fiscal Policy
- What is fiscal policy?
- Briefly explain the difference between counter-cyclical fiscal policy and the budget balance (i.e. pro-cyclical) fiscal policy. How does each type of policy work?
- What is the budget line? How is a graph with a budget line interpreted?

Happy, happy studying! Good luck!

Monday and Tuesday are fully dedicated to exam review. Review your notes ahead of time and come prepared with your questions.