**FINAL EXAM**

**MACROECONOMICS**

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Score/Rating: \_\_\_\_\_\_\_\_\_\_\_

1. In 2005 the exchange rate of US $ to Philippine peso is $1:P47. In 2010 one dollar is equivalent to P40. In 2010 the value of peso became stronger with 8% devaluation from 2005. What is the value of one US dollar in 2010 (in pesos) based on year 2005 exchange rate? Show your solutions.

2. Supposed country A produces two products, potatoes and cars in two consecutive years. Using your knowledge about gross domestic product, fill in the missing values in the following table. Show your solutions.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year 0 Q | | P | | Value | |
| Potatoes | 100,000 | | $1 | | \_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| Cars | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | | $10,000 | | 100,000 |
| Nominal GDP | | | \_\_\_\_\_\_\_\_\_\_\_\_ | | |
| Year 1 | | | | | |
| Q | | P | | Value | |
| Potatoes | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | | $1.2 | | 120,000 |
| Cars | 11 | | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | | \_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| Nominal GDP | | | 230,000 | | |

3. The following items are computed to determine the gross national product and gross domestic product. Show your solutions.

Compensation of Employees = 1,093,800,000,000

Depreciation = 357,200,000,000

Exports of Goods and Services = 1,968,500,000,000

Government Consumption Expenditure = 488,700,000,000

Gross Domestic Capital Formation = 776,200,000,000

Imports of Goods and Services = 1,989,100,000,000

Indirect Business Taxes less Subsidies = 356,600,000,000

Net Operating Surplus = 2,215,100,000,000

Personal Consumption Expenditure = 27,509,000,000,000

Net Factor Income from the Rest of the World = 27,500,000,000

a. Compute the gross national product using the income approach. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

b. Compute the gross national product using the expenditure approach. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

c. Compute the gross domestic product using the income approach. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

4. Assume Filipinos save 90¢ for every extra P1 they earn. Further assume that the real interest rate (r%) decreases, causing a P30 trillion increase in gross private investment. Calculate the effect of a P30 trillion increase in I on Philippine Aggregate Demand (AD).

5. Assume Germany raises taxes on its citizens by €300 billion. Furthermore, assume that Germans spend 15% of the change in their disposable income. Calculate the effect the €300 billion change in taxes on the German economy.

6. Assume the Japanese spend 3/5 of their disposable income. Furthermore, assume that the Japanese government increases its spending by ¥20 trillion and in order to maintain a balanced budget simultaneously increases taxes by ¥20 trillion. Calculate the effect the ¥20 trillion change in government spending and ¥20 trillion change in taxes on Japanese Aggregate Demand.