

**HKALE Economics**  
**Past Examination Papers Multiple-choice Questions (HKCEE)**  
**Chapter 1: National Income Accounting**

Study the following table and answer questions 1-3.

| Gross Domestic Product (GDP) Components | \$Mn |
|---|------|
| Consumption expenditure                 | 940  |
| Government expenditure                  | 110  |
| Gross investment expenditure            | 600  |
| Net exports                             | 1200 |
| Indirect taxes                          | 60   |

1-

The value of GDP at market prices is

- |               |               |
|---------------|---------------|
| A. \$1,710 Mn | B. \$2,790 Mn |
| C. \$2,850 Mn | D. \$2,910 Mn |

2-

The value of GDP at factor cost is

- |               |               |
|---------------|---------------|
| A. \$1,710 Mn | B. \$2,790 Mn |
| C. \$2,850 Mn | D. \$2,910 Mn |

3-

If the net income earned from abroad were \$200 million, the value of Gross National Product (GNP) at market prices would be

- |               |               |
|---------------|---------------|
| A. \$2,590 Mn | B. \$2,650 Mn |
| C. \$3,050 Mn | D. \$3,110 Mn |

4-

Study the following information about Country X:

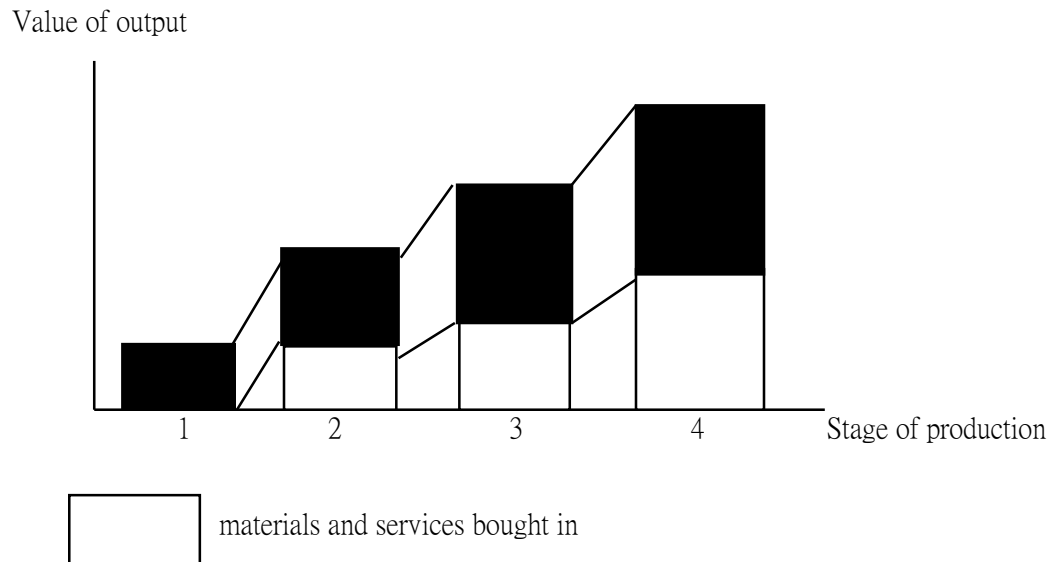
| Year | National Income | Index of prices |
|------|-----------------|-----------------|
| 1983 | \$40,000        | 100             |
| 1984 | \$48,000        | 125             |

From 1983 to 1984, the real national income of Country X

- |                |                |
|----------------|----------------|
| A. fell by 4%  | B. fell by 5%  |
| C. rose by 20% | D. rose by 25% |

5-

The following diagram shows the values of the output at four successive stages in the production of a commodity.



In computing the contribution of this production to national income one could

- A. sum the total value of the output of each stage.
- B. sum the values represented by the un-shaded areas.
- C. sum the values represented by the shaded areas.
- D. deduct the value produced at stage 1 from the value produced at stage 4.

6-

If it is known that Country X has a higher GNP than Country Y, this does NOT necessarily mean that Country X

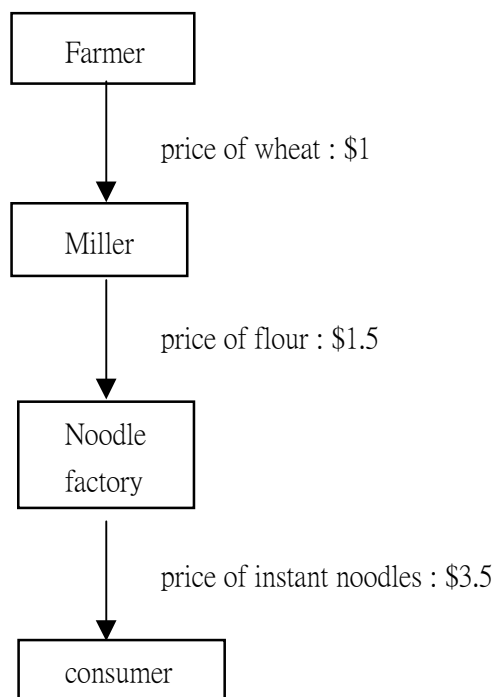
- 1. has a higher level of investment
  - 2. has a higher living standard
  - 3. has a higher employment rate
  - 4. enjoys a faster economic growth
- A. 1 and 2 only
  - B. 3 and 4 only
  - C. 1, 2 and 4 only
  - D. 1, 2, 3 and 4







20-



The value added by the noodle factory is

- A. \$1.5                      B. \$2                      C. \$3.5                      D. \$6

21-

Which of the following government expenditure is a kind of transfer payments?

- A. the purchase of goods and services                      B. compensation paid for land resumption  
 C. retirement pensions for civil servants                      D. public assistance to the unemployed

22-

From the data below, we can conclude that

| Year | GDP at current market prices (\$ million) | Price index |
|------|---|-------------|
| 1987 | \$300,000                                 | 100         |
| 1988 | \$440,000                                 | 110         |

- A. the per capita GDP increased                      B. the real GDP increased  
 C. the rate of inflation was 110%                      D. the income distribution became more even

23-

If the nominal GNP is rising at a rate greater than that of the price index, then the real GNP will

- A. remain unchanged                      B. increase  
 C. decrease                      D. be indeterminate

24-

The service offered free of charge by a lawyer is NOT included in the gross national product because

- A. it is not production                      B. there is no market transaction  
 C. there is double counting                      D. his service is voluntary

25-

A Hong Kong citizen switches his flight from local airline to Japan Airlines. What is the effect on Hong Kong's Gross Domestic Product (GDP)?

- |    |                         |    |                           |
|----|-------------------------|----|---------------------------|
| A. | an increase in imports  | B. | a decrease in exports     |
| C. | decrease in consumption | D. | an increase in investment |

26-

The national income of a country will tend to increase if

- |    |   |    |  |
|----|---|----|--|
| A. | the government increases its budget surplus.  | B. | the government raise the interest rates. |
| C. | the government reduces the profits tax rates. | D. | the demand for exports decreases.        |

27-

Mr. Wong is a second-hand car dealer. He bought a used car for \$20000 which he immediately resold for \$25000. By how much would the gross national product be increased after he sold the car?

- |    |        |    |         |    |         |    |         |
|----|--------|----|---------|----|---------|----|---------|
| A. | \$5000 | B. | \$20000 | C. | \$25000 | D. | \$45000 |
|----|--------|----|---------|----|---------|----|---------|

28-

The following were received by Mr. A last year:

1. wages of \$10000
2. public assistance of \$1000
3. \$100 interest from his savings account
4. a Mark Six prize of \$8000

His contribution to the GDP last year was

- |    |           |    |           |
|----|-----------|----|-----------|
| A. | \$10 000. | B. | \$10 100. |
| C. | \$11 100. | D. | \$19 100. |

29-

Which of the following is included in a country's gross national product?

- |    |  |    |                                       |
|----|--|----|---------------------------------------|
| A. | the expenditure on newly-issued shares | B. | the salary paid to a foreign employee |
| C. | the expenditure on public assistance   | D. | the income of citizens earned abroad  |

30-

Which of the following is included when calculating Hong Kong's gross domestic product (GDP) by the expenditure approach?

- A. the compensation paid to Kowloon Wall City residents
- B. the expenditure incurred on buying a second hand car
- C. the revenue earned from toys sold to Americans
- D. the revenue received by the government from taxation

31-

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|                                  | Growth rate of GDP in 1990 |
|----------------------------------|----------------------------|
| At current market prices         | 15.20%                     |
| At constant (1980) market prices | 11.90%                     |

The above data do NOT show an increase in the \_\_\_\_\_ in 1990.

- A. general price level
- B. nominal GDP
- C. real GDP
- D. labour productivity

32-

Which of the following call lead to the conclusion that the manufacturing sector in Hong Kong is declining in its contribution to Hong Kong's Gross Domestic Product (GDP)?

- A. The number of workers in this sector is decreasing.
- B. The number of firms in this sector is decreasing.
- C. The wage rates in this sector are decreasing.
- D. The value added of this sector is decreasing.

33-

Which of the following amounts should included in the measurement of GDP?

- A. Mr. Chan sells his house, built two years ago, for S2,000,000.
- B. Mr. Chan buys shares worth \$150,000.
- C. Mr. Chan wins a Mark Six prize of \$1,000,000.
- D. Mr. Chan receives a monthly salary of \$35,000.

34-

Which of the following ways of measuring output involves double counting?

- A. summing up the expenditures on all final goods and services
- B. summing the income earned by all factors of production
- C. summing up the value added in all production stages
- D. summing up the values of all market transactions

35-

A building which collapsed in a landslide at the beginning of the year was re-built at the end of the year. The GDP in that year

- A. increased.
- B. decreased.
- C. remained unchanged.
- D. decreased at first and later increased.

36-

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|  | <u>\$ Million</u> |
|--|-------------------|
| Private consumption expenditure        | 40                |
| Government consumption expenditure     | 10                |
| Gross domestic fixed capital formation | 10                |
| Change in stocks                       | 1                 |
| Total exports of goods                 | 80                |
| Domestic exports                       | 70                |
| Re-exports                             | 10                |
| Imports of goods                       | 60                |
| Exports of services                    | 20                |
| Imports of services                    | 30                |
| Inflow of capital                      | 30                |
| Outflow of capital                     | 15                |

39-

The GDP of the economy in that year is

- |                  |                  |
|------------------|------------------|
| A. \$61 million. | B. \$70 million. |
| C. \$71 million  | D. \$81 million. |

40-

The nominal Gross National Product (GNP) of a country may overstate the living standard of its people because the figure

- |  |   |
|--|---|
| (1) does not reflect the improvement in the quality of the goods and services produced in the country. | (2) does not reflect the effect of a rise in the price level. |
| (3) excludes the undesirable effects of production.  | (4) excludes the goods not transacted in the market.          |
| A. (1) and (2) only  | B. (1) and (4) only   |
| C. (2) and (3) only  | D. (3) and (4) only   |

41-

If GNP is greater than GDP,

- A. depreciation is greater than zero.
- B. net income from abroad is greater than zero.
- C. transfer payments are greater than zero.
- D. exports are greater than imports.

42-

An increase in exports and a decrease in imports will cause the national income to

- |                      |                                 |
|----------------------|---------------------------------|
| A. increase          | B. decrease                     |
| C. remain unchanged. | D. either increase or decrease. |

43-

Which of the following items should be included in Hong Kong's GDP for the current year?

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- A. An investor buys shares on the local stock exchange.
- B. A British citizen receives a salary for teaching English in a school in Hong Kong.
- C. A student sells some used textbooks to his friend.
- D. A manufacturer sells last year's unsold stocks.

For Question 44, consider the following data of an economy producing only bread and shirts:

|        | Price in 1992 | Price in 1993 | Output in 1993 |
|--------|---------------|---------------|----------------|
| Bread  | 10            | 12            | 50             |
| Shirts | 20            | 25            | 20             |

44-

The GNP at constant (1992) market prices for 1993 is

- A. \$900
- B. \$1100
- C. \$1200
- D. \$1490

Study the following information about a country and answer Questions 45-46:

|                 | \$ million |
|-----------------|------------|
| National income | 400        |
| Depreciation    | 50         |
| Rent            | 88         |
| Interest        | 46         |
| Wages           | 220        |
| Indirect taxes  | 12         |

45-

The gross national product (GNP) at factor cost is

- A. \$412 million.
- B. \$450 million.
- C. \$462 million.
- D. \$816 million.

46-

Profit is

- A. \$46 million.
- B. \$58 million.
- C. \$96 million.
- D. \$108 million.

47-

GDP will be greater than GNP when

- A. the net export is negative.
- B. the net export is positive.
- C. the net income from abroad is negative.
- D. the net income from abroad is positive.

48-

If a country's real GNP and price level both increase by 5%, this implies that

- A. the standard of living will remain unchanged.
- B. the nominal GNP will rise by 5%.
- C. the nominal GNP has a greater percentage increase than the real GNP.
- D. the nominal GNP will remain constant.

49-

If an American tourist gives money to local beggars, Hong Kong's GDP will \_\_\_\_\_ and its balance of payments will \_\_\_\_\_.

- |                                  |                                       |
|----------------------------------|---------------------------------------|
| A. increase; be improved         | B. increase; remain unchanged         |
| C. remain unchanged; be improved | D. remain unchanged; remain unchanged |

50-

Which of the following will NOT be included in Hong Kong's GDP?

- A. profits earned by individual investors from buying and selling shares in the Hong Kong stock market
- B. bonuses paid by the Stock Exchange of Hong Kong Limited to its staff
- C. stamp duty levied on the shares bought and sold in the Hong Kong stock market
- D. commissions paid to the brokers for transactions in the Hong Kong stock market

51-

Which of the following items is included in the calculation of Hong Kong GDP?

- A. The government grant received by a university student.
- B. The salary received by a civil servant who is a foreigner working in Hong Kong.
- C. Interest to a loan paid by a firm in Hong Kong to a bank in Japan.
- D. Loans repayment made by the Hong Kong government to the Hong Kong Bank.

52-

In using the expenditure approach to calculate the Gross National Product (GNP) of an economy, imports should be deducted because:

- A. Some imports are substitutes of domestic products.
- B. Some imports are intermediate goods.
- C. Imports will lead to payments to foreign countries.
- D. Imports are the expenditure on goods and services produced by foreign countries.

53-

Which of the following items are included in a country's gross national income according to the income

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approach in national income accounting?

- (1) interest payment
- (2) depreciation
- (3) direct tax
- (4) employee's compensation

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

Questions 54 and 55 refer to the following information about an economy:

|                               |       |
|-------------------------------|-------|
| GNP at market price           | \$100 |
| Exports of goods and services | 20    |
| Imports of goods and services | 30    |
| Net income from abroad        | -5    |
| Indirect taxes                | 25    |
| Subsidies                     | 35    |
| Depreciation                  | 5     |

54-

The GDP at factor cost is:

- A. \$95
- B. \$105
- C. \$115
- D. \$125

55-

The net national product at factor cost is:

- A. \$100
- B. \$105
- C. \$110
- D. \$115

56-

Refer to the following diagram of an economy:

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Growth rate (%)

GDP

Government expenditure

1980      1985      1990      1995      Year

During the period 1980 to 1995, which of the following can be concluded from the above diagram?

- A. Both the GDP and the government expenditure have not changed in this period.
- B. The GDP increases at the same rate as the government.
- C. The ratio of government expenditure to GDP decreases over this period.
- D. The growth rate of GDP remains constant because the government expenditure increases at a constant rate.

57-

It is expected that there will be record-high number of tourists visiting Hong Kong in year 1997. This will increase Hong Kong's

- A. GDP.
- B. visible trade.
- C. net external factor income flows.
- D. consumer price index (A).

58-

The following are data of Country X.

| Year                   | 1992          | 1997          |
|------------------------|---------------|---------------|
| GDP                    | \$500 billion | \$700 billion |
| Price Index (1990=100) | 120           | 135           |

The growth rate of real GDP from 1992 to 1997 is:

- A. 24.4%
- B. 28.6%
- C. 40.0%
- D. 57.5%

59-

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The following shows some assets of a farm. Which should be included in the calculation of investment expenditure of the GDP of this year?

- A. the expenditure on the ploughing of 10 acres of new of farmland in spring this year.
- B. the value of 10 tonnes of wheat stocked up since last year
- C. the settlement of a \$10 000 debt incurred as a result of repairing machines last year
- D. a recent expenditure on acquiring 10 000 units of government bonds in order to earn an annual interest of \$55 000

60-

Which of the following items is NOT included in the calculation of GDP?

- A. government spending \$300 million on the employment retraining programme.
- B. unemployment benefits of \$20 million paid by the government
- C. commission paid by a successful job searcher to an employment agency for job referral services.
- D. salaries paid to the two extra posts created in the Labor Department to help job searchers.

61-

Which of the following events that occurred in 1996 would lead to a rise in the GDP of 1996?

- A. The government issued more Exchange Fund bills.
- B. The government increased the salaries tax allowances.
- C. The market value of accommodation units which were completed and sold in previous years rose continuously.
- D. An international corporation collected \$1 billion from the subscribers of its newly-issued shares.

62-

Suppose a closed economy produces food and clothing only. The outputs of Year 1 and 2 are as follows:

| Year | Quantity of food (unit) | Unit price of food (\$) | Quantity of clothing (unit) | Unit price of clothing (\$) |
|------|-------------------------|-------------------------|-----------------------------|-----------------------------|
| 1    | 20                      | 4                       | 40                          | 12                          |
| 2    | 15                      | 10                      | 35                          | 30                          |

From Year 1 to Year 2, the real gross national product (real GNP) of this country has

- A. worsened because the price level increases.
- B. worsened because the output of both goods decrease.
- C. improved because the nominal GNP increases.
- D. improved because the technology advances.

63-

The following transactions were recorded in an economy in a certain year:

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- (I) Firm A sold its products to Firm B for \$100 and Firm C for \$200.
- (II) Firm B then resold part of the products to households for \$200 and the rest to other firms for \$300.
- (III) Firm C then exported the products for \$500.

In the above transactions what was the total contribution of Firm B and Firm C to the gross domestic product (GDP) of this economy?

- A. \$700                      B. \$900                      C. \$1 100                      D. \$1 300

64-

Which of the following would be considered as part of the national income?

- A. commissions received by salesmen selling second-hand cars
- B. a gift cheque to bride for an invitation to her wedding banquet
- C. insurance compensation to injured workers
- D. scholarships to students with good results in schools

65-

Suppose a country experiences a 2% increase in the production volume of goods and services as well as a 3% rise in the general price level in a year can conclude that

- (1) the real GNP will increase by 2%
  - (2) the nominal GNP will increase by 2%
  - (3) the nominal GNP will increase by 3%
  - (4) the nominal GNP will increase more than the real GNP by 1%
- A. (1) only                      B. (2) only
- C. (1) and (2) only                      D. (1), (3) and (4) only

Answer Questions 66 and 67 by referring to the following data of an economy:

|  |      |
|--|------|
|  | \$Mn |
|--|------|

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|  |    |
|--|----|
| Gross national product at market price | 46 |
| Change in stock                        | 3  |
| Net income from abroad                 | 1  |
| Subsidies                              | 4  |
| Depreciation                           | 5  |
| Indirect business tax                  | 6  |
| Net exports                            | 2  |

66-

The gross national product at factor cost (in \$Mn) is

- A. 38                                      B. 43                                      C. 44                                      D. 47

67-

The net domestic product at market price (in \$Mn) is

- A. 38                                      B. 40                                      C. 41                                      D. 43

68-

Which of the following should be included in the calculation of gross national product (GNP)?

- A. the value of newly issued shares sold
- B. the value of shares transacted in the stock market
- C. stamp duty paid for buying shares
- D. capital gain from selling shares

69-

Transfer payments are NOT included in national income because

- A. they are included in the gross national income but not the net national income.
- B. they are already included in the incomes of households.
- C. they are not returns for the production of goods and services.
- D. they are not taxed by the government.

70-

Suppose the nominal GNP and the price level increase by 10% and 5% respectively, but the population decreases by 10%. Then the per capita nominal GNP will \_\_\_\_\_ and the capita real GNP will \_\_\_\_\_.

- A. increase...increase                                      B. decrease...decrease
- C. increase...remain unchanged                                      D. remain unchanged...increase

71-

Which of the following sources of income earned by local residents should be included in the calculation of 'net

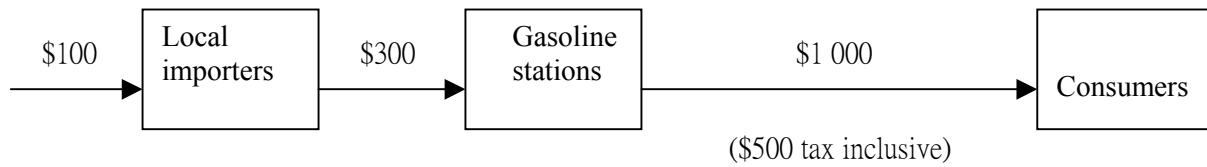


Which of the following GDP components of Hong Kong would be least likely affected by the above situation?

- A. domestic consumption (C)
- B. private investment (I)
- C. government expenditure (G)
- D. net export (X – M)

77-

The following diagram shows a production chain involving the import of \$100 worth of gasoline into Hong Kong:



What is the contribution of the production chain to Hong Kong's GDP at factor cost?

- A. \$400
- B. \$500
- C. \$900
- D. \$1 000

78-

| Year | GNP at current market prices (\$ billion) | GNP deflator |
|------|---|--------------|
| 1997 | 2 100                                     | 105          |
| 1998 | 2 800                                     | 125          |

Based on the above information, the growth rate of real gross national product (real GNP) between 1997 and 1998 is

- A. 12%
- B. 16.3%
- C. \$33.3%
- D. There is insufficient information to find the answer.

79-

The following table shows the gross domestic product (GDP) data of a country.

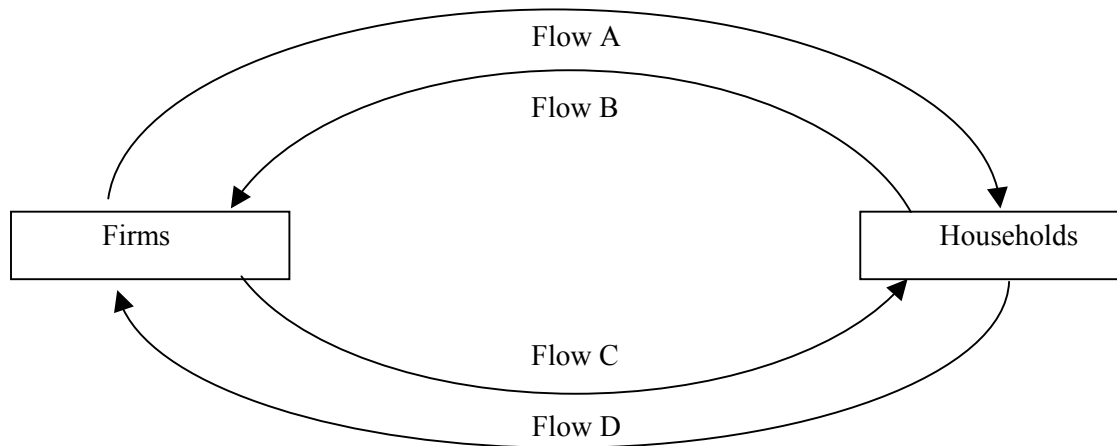
| Components | \$Million |
|------------|-----------|
|            |           |

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- A. the dividend received from shares in Hang Seng Bank by a Japanese person who lives in the U. S.
- B. the rental income earned by a Hong Kong resident from his property in the U. S.
- C. the salary earned by a native English teacher employed on a two-year contract in a secondary school in Hong Kong.
- D. the donations of a Hong Kong resident to mainland China.

84-



Flow A, Flow D: real flows

Flow B, Flow C: money flows

Refer to the above circular flows. Which of the following statements is correct?

- A. Flows A and D are flows of households' expenditure and firms' payment to factor owners respectively.
- B. All value-added totals contributed by the firms equal the market value of all final goods and services.
- C. The market value of Flow B equals the market value of all final goods and services plus the market value of unsold goods.
- D. The flow of final goods and services includes self-provided services.

85-

Nancy runs a boutique in Hong Kong. The following table shows the boutique's financial statement for a given period of time.

|                             | \$ 000 | \$ 000 |
|-----------------------------|--------|--------|
| Sales revenue of fashions   | _____  | _____  |
|                             |        | 16 000 |
| Less: Imported fashions     | 2 000  |        |
| Electricity & water charges | 3 000  |        |
| Wage payment                | 2 500  |        |
| Profits tax                 | 1 500  | 9 000  |
| Net profit                  |        | _____  |
|                             |        | 7 000  |

Which is the contribution of Nancy's boutique to Hong Kong's GDP in thousand dollars?

- A. 7 000
- B. 11 000
- C. 14 000
- D. 16 000

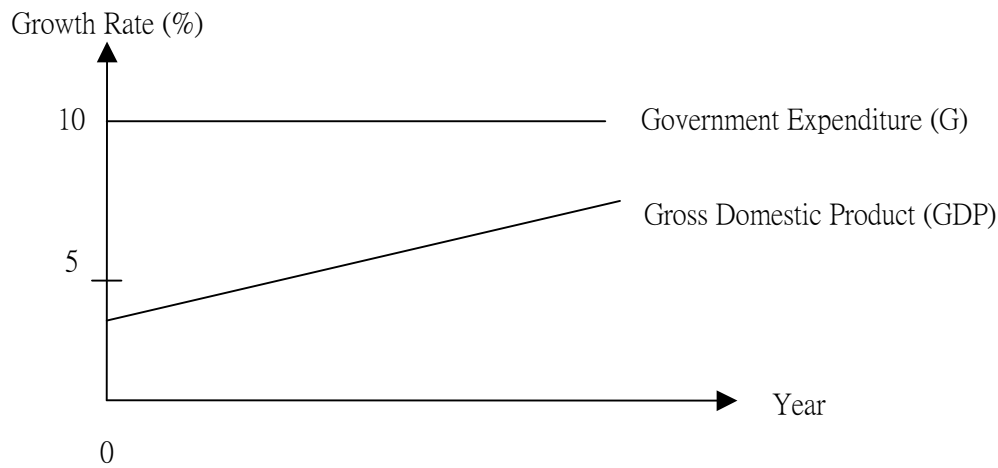
86-

Country X has a higher GDP but a lower general living standard than Country Y. Which of the following is a possible reason for this?

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- A. The net factor income from abroad of Country Y is smaller.
- B. The working hours of people in Country Y are longer.
- C. Capital goods make up a higher proportion of the output of Country Y.
- D. The population size in Country Y is smaller.

87-



According to the above graph, the ratio of G to GDP is

- A. increasing.
- B. decreasing.
- C. first increasing and then decreasing.
- D. first decreasing and then increasing.

88-

Which of the following items should NOT be included in the calculation of Hong Kong's GDP?

- A. profit gained by a car agent from reselling second-hand cars
- B. compensation paid to a car owner for his loss in a traffic accident
- C. insurance premium for a car paid to local insurance company
- D. income earned by a person from repairing cars

89-

The following table shows the gross domestic product (GDP) data of a country in a certain year.

| Components | \$ Million |
|------------|------------|
|------------|------------|

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