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Question 16 (Answer: **B**)

- GDP at market prices includes indirect taxes and is reduced by subsidies.
- GDP at factor cost strips those out: subtract indirect taxes and add subsidies back.
- $600 - 100 + 50 = 550$ bn.

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Question 17 (Answer: **C**)

- GDP at market prices includes indirect taxes and excludes subsidies.
- So start from basic prices, add the indirect taxes and subtract the subsidies.
- $300 + 20 - 4 = 316$ bn.

Question 18 (Answer: **C**)

- Real GDP growth is approximately nominal growth minus the inflation rate.
- So subtract the price-level change from the nominal GDP change in each row.
- The fastest real growth is where that difference is largest, not where nominal growth is largest.

Question 27 (Answer: **C**)

- Primary income is income earned from owning a factor of production *abroad*.
- So dividends from *foreign* shares, or wages earned overseas, count.
- Dividends from a *domestic* company are earned at home, so they never enter the current account.

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Question 16 (Answer: **B**)

- Real GDP strips out the effect of rising prices.
- So real GDP rises only when nominal GDP grows *faster* than the price level.
- If nominal GDP and inflation rise at the same rate, real GDP is unchanged.

Question 26 (Answer: **C**)

- The terms of trade is an index of export prices divided by an index of import prices.
- Dividing one index by another cancels the units entirely.
- That is why it is a pure ratio, usually expressed as an index number with no currency attached.

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Question 20 (Answer: **A**)

- A cost–benefit analysis must include all the costs and benefits, private and external.
- Add the losses together and the gains together, then compare the totals.
- The strike is worthwhile only if the value of the benefits exceeds the value of the costs.