

## Student Assessment: Business Cycle, Economic Indicators, and Aggregate Demand & Supply

### Part A: Multiple Choice Questions (2 marks each)

1. During which phase of the business cycle does unemployment begin to rise?

- a) Expansion
- b) Peak
- c) Recession
- d) Recovery

Answer: \_\_\_\_\_

2. When Aggregate Demand (AD) shifts to the right, what happens?

- a) Prices and GDP fall
- b) GDP rises and unemployment falls
- c) GDP falls and unemployment rises
- d) Prices stay the same

Answer: \_\_\_\_\_

3. Which factor would most likely cause the Short-Run Aggregate Supply (SRAS) curve to shift right?

- a) Increase in wages
- b) Decrease in oil prices
- c) Higher taxes
- d) Stricter labor laws

Answer: \_\_\_\_\_

4. What causes movement along the SRAS curve?

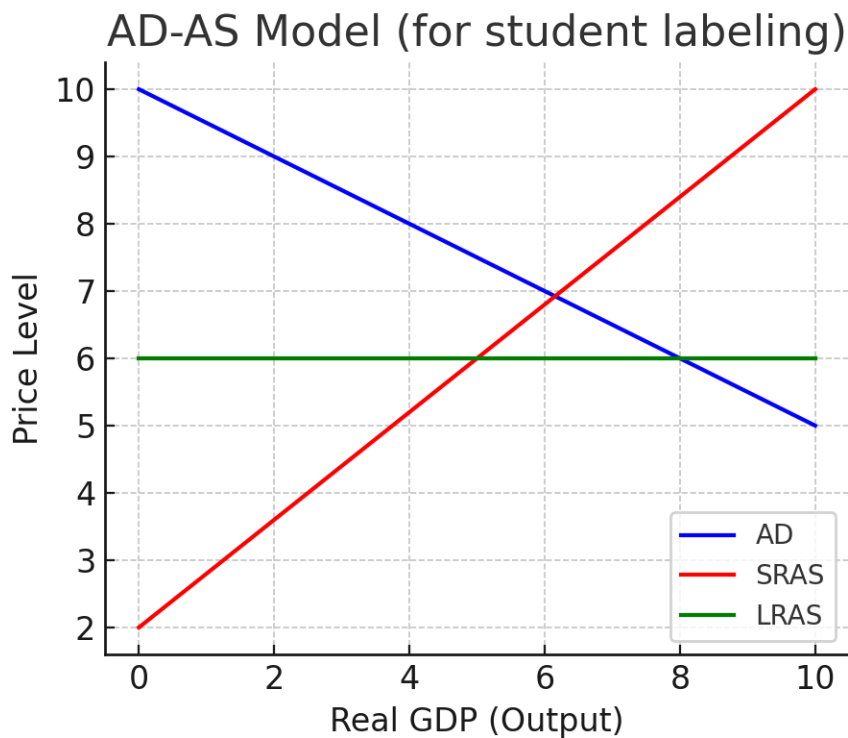
- a) A change in technology
- b) A change in the price level
- c) A change in labor force
- d) A change in capital investment

Answer: \_\_\_\_\_

5. In the long run, which of the following can shift the LRAS curve?

- a) Temporary fall in prices
- b) Technological improvement
- c) Change in consumer spending
- d) Change in interest rates

Answer: \_\_\_\_\_



**Part B: Graph Analysis (10 marks total)**

Question 6: Label AD, SRAS, LRAS, and equilibrium point ( $E_0$ ) on the graph above. Then assume consumer confidence increases, shifting AD right to  $AD_1$ .

What happens to GDP and prices after the shift? \_\_\_\_\_

Question 7: Oil prices rise sharply. Which curve shifts, in which direction, and what happens to GDP and prices? \_\_\_\_\_

**Part C: Short Answer & Analysis (5 marks each)**

6. Explain the difference between movement along the SRAS curve and a shift of the SRAS curve.

Answer:

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Answer:

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Answer:

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7. What factors cause the LRAS curve to shift right? Give two examples.

Answer:

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Answer:

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Answer:

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8. Compare how Aggregate Demand (AD) and Aggregate Supply (AS) shifts affect the economy.

Answer:

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Answer:

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Answer:

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