Note: Please try the problems on your own before the homework help session to be conducted by Babatunde Abidoye on Monday, May 24. I shall not be in during my usual office hours on Monday May 24 and Friday May 28, and will hold make-up hours on Thursday May 27 (1.30 – 3.30pm). The first midterm shall be held on Tuesday, June 1. Babatunde Abidoye shall conduct the exam. Please use my office hours on Thursday, May 27, to clarify any doubts you may have about the material for midterm 1. The exam syllabus will be announced in class next week.

There shall be no class Wednesday June 2 to Friday June 4 (inclusive). As unanimously agreed by everyone, we shall make up for the lost time by starting our class from 12.05pm and ending at 1.15pm. We shall begin this schedule from Friday May 21.

Problems from the textbook:

Chapter 1: 9, 11
Chapter 2: 2, 4, 8, 10, 12
Chapter 3: 5, 8, 10, 14,

Plus the following:

1. If price level rises by 10% in one year, what is the gross and net real return on holding money as cash? (Hint: Read the appendix of Ch 1. of the textbook carefully)

2. If there are 10 goods in a barter economy, how many price tags will be required? (Hint: Read Ch. 3 of the textbook carefully. Even the footnotes!)

3. Consider two savings accounts. Bank A pays 8 % APR compounded annually, and Bank B pays 7.9 % APR compounded monthly. Based on APRs, which bank would you prefer?