

SY Bcom – Business Economics – Sem III

1. The Following is not a subject matter of Macroeconomics
 - a. National Income accounting
 - b. Laws of Demand and Supply
 - c. Business Cycle
 - d. General Price Level

2. One of the major assumptions of the classical school is
 - a. Lack of aggregate demand causes involuntary unemployment
 - b. Government's fiscal operations can reduce unemployment
 - c. Unemployment and inflation can exist together
 - d. Economy will be in full employment equilibrium in the long run

3. Keynesian Theory is not based on which of the following assumptions?
 - a. Supply creates its own demand
 - b. Markets can fail
 - c. Government intervention can reduce the impact of recession
 - d. Aggregate demand determines national output

4. Which of the following schools of thought in macroeconomics focuses on the role of money supply and central bank?
 - a. Development Economics
 - b. Classical school
 - c. Monetarism
 - d. Keynesian School

5. Which branch of macroeconomics specifically focuses on the problems of developing economies?
 - a. Development Economics
 - b. Public Finance
 - c. Monetary Economics
 - d. Trade Cycle theory

6. Which of the following measurements indicate how national income is distributed?
 - a. GDP
 - b. GNP
 - c. Per capita income
 - d. NNP

7. The Phenomenon of stagflation can be explained with which of the following macroeconomic theories?
 - a. Keynesian demand pull theory
 - b. Supply side cost push theory
 - c. Classical theory
 - d. Monetarist Theory

8. Which of the following is not the limitations of the macroeconomics?
- Unable to study aggregate measurements pertaining to an economy
 - Models and theories are abstract and mathematical
 - Does not account for micro level differences
 - Prescribes policies that are too general to solve specific problems
9. Which of the following type of economy deals with the rest of the world?
- Closed
 - Open
 - Only Developed
 - Only Developing
10. Which of the following economy is in equilibrium when investment is equal to saving?
- Closed
 - Open
 - Developing
 - Developed
11. In which of the economy the leakages in the form of saving and taxes arise in the circular flow of income?
- Two Sector
 - Three Sector
 - Open
 - One Sector
12. In a circular flow economy, firms supply
- Labour
 - Goods and Services
 - Land
 - Capital
13. In a three sector economy, we do not include income expenditure of
- Government
 - External Sector
 - Household
 - Firm
14. The four sector circular flow economy does not include
- World Economy
 - Financial Market
 - Crude oil reserves in oil wells
 - Household

15. _____ is a injections in the circular flow of income

- a. Public Expenditure
- b. Savings
- c. Taxes
- d. Imports

16. What is the total money value of final goods and services produced within the domestic territory of the country during a given year?

- a. GDP
- b. GNP
- c. NNI
- d. Per capita income

17. What is the total money value if the goods and services produced by the nationals during a given year?

- a. GNI
- b. GDP
- c. NDP
- d. Per capita income

18. Which of the following measures the real growth of economy?

- a. GDP at constant prices
- b. GDP at current prices
- c. NDP at current prices
- d. GNI

19. Which of the following is the sum of all income actually received by the people in the country?

- a. Personal Income
- b. National Income
- c. GDP
- d. GNI

20. GNI in an open economy is equal to

- a. $GDP + (X - M)$
- b. $GDP + (X - M) + R - P$
- c. $GDP + (R - P)$
- d. $GDP = C + I + G$

21. Price deflator helps us to work out national income at

- a. Constant Price
- b. Current Price
- c. Future Price
- d. None of the above

22. Which of the following formulas is used to calculate GGDP?

- a. $GDP + \text{Net Factor income from abroad}$
- b. $GDP + C + I + G$
- c. $GDP - \text{Depreciation}$
- d. $GDP - \text{Net Natural Capital Consumption}$

23. Which of the following will not result in increase in economic welfare when the national income increases?

- a. Increase in subsidy spending by the government
- b. Increased production in the defence sector at the cost of other sector
- c. Reduction in price level
- d. Rational increase in taxes on the rich

24. Which of the following is not a drawback of GGDP?

- a. Provides an alternative to the conventional measures of national income
- b. Cannot measure economic sustainability
- c. Difficult to measure natural capital in terms of money
- d. Not able to capture the economic welfare aspects of GDP

25. In which of the following phase the economy registers an upward trend in output, income and employment?

- a. Recovery
- b. Depression
- c. Prosperity
- d. Recession

26. In which of the following phase there is considerable fall in production, employment, income and investment ?

- a. Recession
- b. Depression
- c. Recovery
- d. Prosperity

27. In which of the following phase, output, employment, income, etc. begin to decline?

- a. Recession
- b. Prosperity
- c. Depression
- d. Recovery

28. The recession phase of a trade cycle begins at

- a. Through
- b. Peak
- c. Mid point of expansion
- d. Contraction

29. When Economic Variable move together in a predictable way, it is called
- Cumulative
 - Comovement
 - Upward movement
 - Downward movement
30. During recession / depression public expenditure should
- Remain constant
 - Decrease
 - Increase
 - Inconsistent
31. According to whom wages are non-flexible downwards?
- Keynes
 - Pigou
 - Say
 - Classical economists
32. According to whom the equality between saving and investment cannot be brought about by changes in the rate of interest?
- Classical Economics
 - J. M. Keynes
 - J. B. Say
 - Pigou
33. According to which law the supply creates its own demand?
- Keyne's
 - Say's
 - Pigou's
 - Samuelson's
34. The point where the aggregate demand and the aggregate supply curves intersect is called
- Total demand
 - Effective Demand
 - Equilibrium demand
 - Non - equilibrium demand
35. According to Keynes, in order to increase employment we have increase aggregate
- Supply
 - Output
 - Demand
 - Investment

36. Which of the following curve is a schedule of minimum amount proceeds required to provide various levels of employment?

- a. Aggregate supply
- b. Aggregate demand
- c. Employment
- d. Total Spending

37. Which of the following factors consist of those motives which induce individuals to refrain from spending out of their income?

- a. Subjective
- b. Economic
- c. Objective
- d. Social

38. Keynes consumption function helps to invalidate

- a. Keynes Theory
- b. Fishers Equation
- c. Say's law
- d. Employment theory

39. The MPS is the counterpart of

- a. APC
- b. MPC
- c. APS
- d. APC & APS

40. According to Keynes, as income increases both MPC and APC

- a. Rise
- b. Fall
- c. Remain Constant
- d. Is zero

41. Investment will be in equilibrium when _____ becomes equal to the given current rate of interest.

- a. MEC
- b. Profit
- c. Saving
- d. None of the above

42. MEC Curve

- a. Slopes upward
- b. Slopes downwards
- c. Remain Constant
- d. Does not change

43. MEC refers to what type of return from an investment?

- a. Expected rate of profit
- b. Actual Profit
- c. Expected rate of interest
- d. Actual Loss

44. If a part of an increase in income is spent on imports the value of multiplier

- a. Will be high
- b. Will be low
- c. Will not change
- d. Will increase

45. The value of multiplier is inversely related to

- a. MPC
- b. MPS
- c. APC
- d. APS

46. In what way the multiplier is inversely related to

- a. Directly related to
- b. Reciprocal of
- c. Not related to
- d. Equal to

47. The theory of employment multiplier was developed by

- a. J. M. Keynes
- b. R. F. Khan
- c. Alfred Marshall
- d. None of the above

48. According to Keynes, Interest is

- a. Determined by the demand for and supply of money
- b. Determined by real factor
- c. Determined by rate of inflation
- d. Determined by the monetary authority

49. Transaction motive of liquidity preference is

- a. Interest elastic
- b. Income inelastic
- c. Interest inelastic
- d. None of the above

50. Precautionary demand for liquidity is determined by

- a. Rate of interest
- b. Rate of inflation
- c. Bond prices

d. Income

51. At a very low rate of interest the liquidity preference curve becomes

- a. Perfectly inelastic
- b. Perfectly elastic
- c. Relatively inelastic
- d. Relatively elastic

52. The quantity of money supply is determined by

- a. Demand and Supply of money
- b. Capital Market
- c. Money Market
- d. Monetary authority

53. When LP curve shifts downward, with no change in MS curve

- a. Rate of interest will fall
- b. Rate of interest will rise
- c. Rate of interest will remain constant
- d. Rate of Interest will become zero

54. A rise in interest rate can take place due to

- a. A downward shift in LP curve, with no change in MS curve
- b. An upward shift in LP curve, with no change in MS curve
- c. An increase in MS with no change in LP
- d. None of the above

55. Which of the following curve shows the goods market equilibrium?

- a. LM Curve
- b. IS Curve
- c. AD demand curve
- d. None of the above

56. On which side the following curve there is excess supply in the goods market?

- a. Right side of IS curve
- b. Left side of IS curve
- c. Right side of LM curve
- d. Left side of LM curve

57. Which of the following is the slopes of IS curve?

- a. Negative slope
- b. Positive slope
- c. Direct slope
- d. None of the above

58. Which of the following will shift the IS curve to the left?

- a. Increase in government expenditure
- b. Decrease in government expenditure
- c. Increase in autonomous spending
- d. None of the above

59. Which of the following will cause the LM curve to shift to the right?

- a. Increase in money supply
- b. Decrease in money supply
- c. An increase in the rate of interest
- d. Decrease in the government expenditure

60. At the point where IS curve and LM curve intersect which of the following markets are in equilibrium?

- a. Goods market and Capital market
- b. Money market and Goods market
- c. Money market and Foreign exchange market
- d. Capital market and foreign exchange market

61. In which of the following cases is the LM curve horizontal?

- a. Classical case
- b. Crowding out case
- c. Liquidity trap
- d. None of the above

62. The Phillips curve brings out a trade-off between

- a. Wages and employment
- b. Inflation and unemployment
- c. Inflation and value of money
- d. None of the above

63. In the long run the Phillips curve is

- a. Horizontal
- b. Slopes upward from left to right
- c. Vertical
- d. None of the above

64. Stagflation results in

- a. Increasing in price level and unemployment
- b. Increase in supply of goods and services
- c. Increase in employment
- d. None of the above

65. Stagflation brings down

- a. Prices
- b. Employment
- c. Both (a) and (b)
- d. None of the above

66. Supply side economics aims at increasing income by

- a. Reducing taxes
- b. Reducing prices
- c. Increasing government's expenditure
- d. None of the above

67. A tax cut according to Milton Friedman

- a. Increases prices
- b. Increases budgetary deficit
- c. Increases budgetary surplus
- d. None of the above

68. Laffer curve brings out the relationship between

- a. Price level and employment
- b. Price level and investment
- c. Tax revenue and marginal tax rate
- d. Price level and savings

69. Traditional measure of money supply includes

- a. Demand deposit and time deposit
- b. Currency and time deposit
- c. Currency and demand deposit
- d. None of the above

70. The main authors of broad money are

- a. Marshall, J.M.Keynes, A.C.Pigou
- b. Gurly – Shaw, Milton Friedman, Redcliff Committee
- c. Paul Krugman, Irving Fisher, Robertson
- d. None of the above

71. High powered money includes

- a. Money with public and central bank
- b. Currency with public, Cash reserves of banks and other deposits with central bank
- c. Deposits with commercial banks, money with government, money with the public
- d. None of the above

72. The value of money multiplier is determined by

- a. Currency deposit ratio and time deposit
- b. Currency deposit ratio and coins and notes
- c. Currency deposit ration and reserve ration

d. None of the above

73. The Redcliff Committee suggested that money supply should include

- a. Liabilities of NBFIs
- b. Time deposits
- c. Funds lent by financial institutions
- d. None of the above

74. The broader measure of money supply adopted by the RBI is referred to as

- a. Aggregate Monetary Resources
- b. Aggregate Monetary Measurements
- c. Aggregate Money Supply
- d. Aggregate Monetary Ratios

75. The average number of times a unit of money is used for making payments for final goods and services is known as

- a. Transaction velocity
- b. Monetary velocity
- c. Income velocity
- d. Growth velocity

76. The money multiplier is measured as

- a. $mm = 1 + r / 1 + k$
- b. $mm = 1 + r / r + k$
- c. $mm = 1 + k / 1 + r$
- d. $mm = 1 + k / r + k$

77. Which of the following determines money supply?

- a. High powered money
- b. Money multiplier
- c. Community's choice
- d. All of these

78. Which of the following is not true of excess reserves held by commercial banks?

- a. Banks statutorily hold them
- b. They are determined by clearing drain and currency drain
- c. They are voluntarily held by banks
- d. They influence the money multiplier

79. Transactions demand for money is explained by

- a. Neo classical economists
- b. Classical economists
- c. Post – Keynesian economists
- d. None of the above

80. Transaction motive is further sub-divided into
- Speculative and precautionary
 - Profits and business
 - Income and business
 - None of the above
81. Demand for speculative motive is referred to as demand for
- Active cash balance
 - Idle cash balance
 - Both active and idle cash balance
 - None of the above
82. According to Friedman, households demand money to have command over
- Property
 - Real goods and services
 - Future interest income
 - None of the above
83. Which of the following is not true of liquidity trap?
- It is a condition that takes place at a very low rate of interest
 - An increase in money supply would not affect the rate of interest
 - It represents perfectly elastic demand for liquidity
 - People prefer bonds instead of cash
84. The inverse relationship between the rate of interest and bond prices is due to
- High opportunity cost of holding cash
 - Constant money supply
 - Inflation
 - All of the above
85. The inverse of price level measures
- Inflation
 - Value of money
 - Deflation
 - Multiplier
86. Which of the following represents Fisher's equation?
- $MV = PT$
 - $M = kPY$
 - $V = M / P$
 - $P = M / kT$
87. In Fisher's equation, which of the following is exogenously determined?
- P
 - T
 - V

d. M

88. _____ first developed the Cambridge version of the quantity theory of money.

- a. Adam Smith
- b. J. S. Mill
- c. Alfred Marshall
- d. David Ricardo

89. Cambridge 'k' represents

- a. Velocity of circulations of money
- b. Money supply
- c. Average price
- d. A proportion of real income held as cash balances

91. Which of the following is not true of the Cambridge version of quantity theory of money?

- a. Considers store of value function of money
- b. Considers only transaction motive for holding money
- c. Considers k as a constant
- d. Considers M to be exogenously determined

92. Which of the following is not a direct cause of demand – pull inflation?

- a. Deficit financing
- b. Credit creation
- c. Scarcity of raw material
- d. Black money

93. Investment is stimulated if

- a. Inflation occurs at less than full employment level
- b. Inflation occurs at full employment level
- c. Inflation occurs after full employment level
- d. Inflation occurs due to supply side factors

94. The GNP deflator is measured as

- a. $\text{Real GNP} / \text{Nominal GNP}$
- b. $\text{Nominal GNP} / \text{Real GNP}$
- c. WPI / CPI
- d. CPI / WPI

95. Inflation is beneficial to

- a. Fixed income group
- b. Business people
- c. Creditors
- d. None of the above

96. In cost push inflation the supply curve shifts to the
- Left
 - Right
 - Horizontally upward
 - Horizontally downward
97. Which of the following groups suffer during inflation?
- Fixed income earners
 - Creditors
 - Both
 - None of the above
98. During inflation
- Value of money increases
 - Value of money remains constant
 - Value of money declines
 - None of the above
99. During inflation monetary measures aim at
- Increasing cost of money and reducing money in circulation
 - Increasing money supply
 - Reducing the cost of money
 - None of the above
100. Government's budgetary policy during inflation should aim at
- Increasing expenditure
 - Decreasing expenditure
 - Increase investment
 - Lowering taxes
101. Indexation refers to
- A mechanism of wages, prices and contract that are partially or wholly compensated for changes in the general price of level
 - A mechanism that partially or wholly compensated for changes in the rate of interest
 - A mechanism of wages, prices and contract that are partially or wholly compensated for changes in exchange rate
 - None of the above
102. Inflation targeting helps to control
- Economic growth
 - Rate of inflation
 - Both (a) & (b)
 - None of the above

103. Scope of macro economics includes _____

- a. Theory of income and employment
- b. Theory of general prices level
- c. Theory of economics growth
- d. All the above

104. Circular flow of includes _____

- a. Goods and services
- b. Business firms
- c. Households
- d. All the above

105. _____ serves as a useful yardstick to measure the annual performance of a country's economy.

- a. National Income
- b. Per Capita Income
- c. National Consumption
- d. Circular Flow

106. There is no beginning or ending point in _____

- a. National Income
- b. Per Capita Income
- c. National Consumption
- d. Circular Flow

107. $Y = C + S$ also means _____

- a. $Y = C + 1$
- b. $C + S = C + 1$
- c. $S = 1$
- d. All the above

108. National income is the flow of goods and services produced in an economy in course of _____

- a. a year
- b. a month
- c. six months
- d. None of the above

109. _____ items are not included In GNP

- a. Buying and selling of securities, shares, bonds, etc.
- b. Government transfer payments
- c. Private transfer payments
- d. All the above

110. Green Accounting can play a crucial role in the _____

- a. Sustainable development
- b. economic development
- c. rural development
- d. urban development

111. J.B say was _____

- a. German economist
- b. French economist
- c. American economist
- d. Swiss economist

112. Trade cycles have a different phases such as _____

- a. Prosperity, Recession and Recovery.
- b. Prosperity, Depression and Recovery.
- c. Prosperity, Recession and Depression.
- d. All the above

113. The duration of trade cycles may vary from a minimum of :

- a. 2 years to a maximum of 12 years.
- b. 3 years to a maximum of 12 years.
- c. 1 year to a maximum of 12 years.
- d. 2 years to a maximum of 14 years.

114. The logical starting point of keynes's theory of employment is _____

- a. The principle of effective demand.
- b. Aggregate demand
- c. Aggregate supply
- d. Consumption

115. John Maynard Keynes is _____

- a. German economist
- b. Swiss economist
- c. French economist

d. American economist

116. Rate of Interest (R_i) is determined by :

- a. Supply of Money and Demand for Money (Liquidity Preference).
- b. Supply of money
- c. Demand for Money
- d. All the above

117. According to Keynes, Investment Expenditure is the main determinant of :

- a. The level of Employment .
- b. The level of Income
- c. The level of Investment
- d. The level of Saving

118. The consumption function or propensity to consume refers _____

- a. to income saving relationship.
- b. to income investment relationship.
- c. to income consumption relationship.
- d. All the above

119. $APC =$ _____

- a. C / Y
- b. S / Y
- c. I / C
- d. C / S

120. $MPC =$

- a. $\Delta C / \Delta I$
- b. $\Delta C / \Delta S$
- c. $\Delta S / \Delta Y$
- d. $\Delta C / \Delta Y$

121. Marginal efficiency of capital refers to _____

- a. the rate of profit expected
- b. the rate of investments made
- c. the rate of saving made
- d. none of the above

122. Multiplier K _____

- a. 1
- b. AS / AY
- c. I/C
- d. none of the above

123. The multiplier was developed earlier by _____

- a. R.F. Kahn
- b. J.M.Keynes
- c. Kurihara
- d. A C Pigou

124. The multiplier measures the change in income (and employment) as a certain multiple of the initial

- a. Change in Investment
- b. Change in Saving
- c. Change in interest
- d. Change in Employment

125. The Keynesian multiplier is simply the reciprocal of the _____

- a. Marginal propensity to consume
- b. Marginal propensity to save
- c. $MPS + MPS$
- d. Marginal propensity to invest

126. Which of the following lead to leakages in the multiplier process?

- a. Increase in marginal propensity to consume
- b. Increase in marginal propensity to save
- c. Increase in government expenditure
- d. None of the above

127. Leakages in the multiplier is represented by

- a. Savings
- b. Exports
- c. Profits
- d. All the above

128. Keynesian economic is _____

- a. Micro economics
- b. Macro economics
- c. Monetary economics
- d. Welfare economics

129. IS / LM model is a _____

- a. Micro economic tool
- b. Macroeconomic tool
- c. Non economic tool
- d. None of the above

130. The term IS means _____

- a. Investment Saving
- b. Induced Saving
- c. Investment sacrificing
- d. None of above

131. The term LM is the shorthand expression _____

- a. Liquidity Preference Money Supply
- b. Liquidity Pressure Money Supply
- c. Liberally Preferred Money Supply
- d. All the above

132. Given a level of interest rates, the level of investment rises with _____

- a. the level of income
- b. the level of consumption
- c. the level of market prices
- d. All the above

133. The LM curve is _____

- a. Upward – sloping Curve
- b. Down – sloping Curve
- c. Vertical straight line
- d. Horizontal straight line

134. Phillips Curve explains relation between _____

- a. Inflation – employment Trade – Off
- b. Inflation – unemployment Trade- Off
- c. Inflation – poverty Trade –Off
- d. All the above

135. Stagflation is a situation of _____

- a. high prices and unemployment
- b. low prices and unemployment
- c. high prices and under employment
- d. None of the above

136. Underground Economy means

- a. Economy with black money
- b. Economy with underground dons
- c. Economy with underground politicians
- d. None of the above

137. Laffer curve shows that after a certain point, increase in tax rates, _____

- a. can reduce tax revenue
- b. can increase tax revenue
- c. can stagnate tax revenue
- d. None of the above

138. The term 'the supply of money ' is synonymous with such terms as _____

- a. 'money stock',
- b. 'stock of money',
- c. 'money supply'
- d. All the above

139. _____ is the transferred from one person to another in a given period of time is known as

“the velocity of circulation of money”

- a. The maximum number of times money
- b. The average number of times money
- c. The minimum number of times of money
- d. None of the above

140. According to Fisher's Equation of quantity theory of money _____

- a. $MV = PT$
- b. $EMP = PV$
- c. $MT = PV$
- d. None of the above

141. According to cash balance equation of quantity theory of money _____

- a. $MP = kdY$
- b. $MD = kpY$
- c. $MK = dpY$
- d. All the above

142. Inflation is found _____

- a. All over the world
- b. Only in developed countries
- c. Only in less developed countries
- d. Only in developing countries

143. For a common man inflation is _____

- a. Rise in price
- b. Fall in price
- c. Both (a) and (b)
- d. None of the above

144. "Too much of money chasing too few goods " is definition of inflation given by –

- a. Crowther
- b. Coullbourn
- c. Samuelson
- d. J.M.Keynes

145. Demand pull inflation is an inflation which results from an initial

- a. Increase in wage rate
- b. Increase in aggregate demand
- c. Increase in natural resource
- d. Decrease in aggregate demand

146. In hyper inflation there will be

- a. 10% increase in price per annum
- b. 05% increase in price per annum
- c. 15% increase in price per annum
- d. No upper limit of price rise

147. During inflation gainers are

- a. Common man
- b. Debtors
- c. Creditors
- d. All the above

148. During inflation losers are

- a. Common man
- b. Debtors
- c. Creditors
- d. None of the above

149. During Inflation losers are _____

- a. Common man
- b. Debtors
- c. Creditors
- d. None of the above

150. Inflation Targeting was first adopted by _____ in 1989

- a. the Reserve Bank of New Zeland
- b. the Reserve bank of England
- c. the Reserve Bank of New America
- d. None of the above

151. The Reserve Bank of India (RBI) officially adopted Inflation Targeting (IT) as monetary policy strategy in February _____

- a. 2014.
- b. 2016.
- c. 2015.
- d. 2017.

152. Inflation targeting is a _____ where the central bank sets a specific inflation rate as its target or goal

- a. Fiscal policy
- b. Monetary policy
- c. Administrative policy
- d. Budgetary policy

153. _____ is a leakage from circular flow of aggregate income and expenditure

- a. Exports
- b. Tax
- c. Investment
- d. Public Expenditure

154. Green Gross Domestic product is an index of

- a. Loss of biodiversity
- b. Cost of climate change
- c. Environmental cost of economic activities
- d. All of the above

155. Say's Law of market states that

- a. Demand creates its own supply
- b. Supply creates its own demand
- c. Demand is greater that supply
- d. Supply is greater than demand

156. When income equals consumption, saving will be

- a. Positive
- b. Negative
- c. Zero
- d. Infinity

157. After reaching full employment, the aggregate supply curve becomes _____

- a. Horizontal straight line
- b. Vertical straight line
- c. Upward sloping
- d. Downward sloping

158. The LM curve indicates _____ equilibrium.

- a. Money market
- b. Goods market
- c. Foreign Market
- d. Labour Market

159. Supply side economics aims at increasing government revenue by _____

- a. Reducing Taxes
- b. Increasing Taxes
- c. Reducing Prices
- d. Increasing Prices

160. During inflation _____ gain.

- a. Debtors
- b. Creditors
- c. Fixed income earners
- d. Poor

161. Cost push inflation is also known as

- a. Wage push inflation
- b. Spiral inflation
- c. Supply side inflation
- d. All of the above

162. During inflation, RBI _____ Bank rate and cash reserve ratio.

- a. Increases
- b. Reduces
- c. Does not change
- d. None of the above

163. Macroeconomics is not concerned with

- a. National income accounting
- b. International trade
- c. Inflation

d. Equilibrium of an individual

164. Full employment is a normal situation according to _____.

- a. Multiplier theory
- b. IS – LM model
- c. Say's law of markets
- d. None of the above

165. When oncome increases consumption will increase in a _____ proportion.

- a. Greater
- b. Lesser
- c. Constant
- d. None of the above

166. Higher the value of _____, higher will be the value of multiplier.

- a. Average propensity to consume
- b. Marginal propensity to consume
- c. Average propensity to save
- d. Marginal propensity to save

167. Laffer curve explains the relationship between _____

- a. Tax rate and tax revenue
- b. Inflation and wage rate
- c. Interest rate and investment
- d. Income and saving

168. Stagflation arises due to

- a. Rise in the price of crude oil.
- b. Rise in cost of production
- c. Provision of more subsidies
- d. All of the above

169. Money supply will increase when there is _____

- a. Increase in CRR and SLR
- b. Decrease in CRR and SLR
- c. A surplus budget
- d. Rise in public debt

170. Demand for transactionary motive and precautionary motive mainly depends upon _____

- a. Level of income
- b. Rate of interest
- c. Investment
- d. Tax rate

171. Cash balance approach is based on _____ function / functions of money

- a. Medium of exchange
- b. Measure of value
- c. Medium of exchange and store of value
- d. Standard of deferred payments

172. Level of investment in an economy depends upon _____

- a. Price Level
- b. Rate of inflation
- c. MEC and rate of interest
- d. Fiscal deficit

173. When prices are falling continuously, the phenomenon is called

- a. Inflation
- b. Stagflation
- c. Deflation
- d. Reflation

174. When too much money chases too few goods, the resulting inflation is called

- a. Deflation
- b. Demand – Pull inflation
- c. Cost push inflation
- d. Stagflation

175. Cause of Inflation in India is / are

- a. Deficit financing
- b. Erratic agriculture growth
- c. Inadequate rise in industrial production
- d. All of the above

176. Stagflation means

- a. Inflation with stagnation
- b. Recession with stagnation
- c. Inflation galloping like stage
- d. Inflation and increasing output

177. Which is the most effective quantitative method to control inflation in the economy

- a. Bank rate policy
- b. Selective credit control
- c. Cash reserve ratio
- d. Both (a) and (b)

178. Which measures are followed by the government for handling inflation?

- a. Monetary measures
- b. Fiscal measures

- c. Controlling investments
- d. All of the above

179. Inflation is measured on the basis of

- a. Wholesale price index
- b. Consumer price index
- c. Marshall's index
- d. All of the above

180. When price increases due to increase in factor price it is

- a. Demand pull inflation
- b. Cost pull inflation
- c. Stagflation
- d. None of the above

181. NNP means

- a. GDP – depreciation
- b. GDP + depreciation
- c. NNP – depreciation
- d. GNP – depreciation

182. " Rest of the world" is the major element in

- a. Two sector model
- b. Three sector model
- c. Four sector model
- d. All of the above

183. "Supply creates its own demand" is the idea of

- a. J B Says
- b. Samuelson
- c. J M Keynes
- d. Milton Friedman

184. According to Keynes what causes changes in inducement to invest by entrepreneurs?

- a. MPC and MEI
- b. MEC and MPS
- c. MEC and rate of interest
- d. MPC and rate of interest

185. Under Keynesian theory employment and output is determined by

- a. Saving investment equality
- b. Production function
- c. Effective demand
- d. Demand for money and supply of money

186. Transaction demand for money is a function of

- a. Income
- b. Interest
- c. Prince
- d. Inflation

187. A significant increase in public expenditure lead to

- a. Right ward shift in LM curve
- b. Right ward shift in IS curve
- c. Left ward shift in LM curve
- d. Left ward shift in IS curve

188. Multiplier is the ration of

- a. Change in income to change in investment
- b. Change in investment to change in income
- c. Change in income to change in interest
- d. None of the above

189. IS curve represent the combination of

- a. Combination of income and interest
- b. Combination of price and output
- c. Combination of interest and investment
- d. None of the above

190. LM curve represents the combination of

- a. Price and output
- b. Demand for money and supply of money
- c. Income and investment
- d. Money supply and investment

191. Effective demand is where

- a. Aggregate demand is equal to aggregate supply
- b. Demand for money is equal to supply of money
- c. Saving is equal to supply
- d. None of the above

192. Macroeconomics is concerned with

- a. The level of output of goods and services
- b. The general level of prices
- c. The growth of income
- d. All of the above

193. National income is a

- a. Stock concept
- b. Flow concept
- c. Cross section analysis

d. None of the above

194. Two sector economy consists of

- a. Households, Firms
- b. Households, Government
- c. Firms to government
- d. Households to government

195. Real flow is also known as

- a. Nominal flow
- b. Money flow
- c. Physical flow
- d. Both (a) and (b)

196. Which of the following is the consumption sector?

- a. Household
- b. Firm
- c. Government
- d. Foreign

197. Real flow refers to the flow of factor services from _____ to _____

- a. Firms to households
- b. Households to firms
- c. Firms to government
- d. Households to government

198. In a closed economy, _____ is not included

- a. Households
- b. Firms
- c. Government
- d. Foreign sector

199. Net factor income from abroad is

- a. Exports minus Imports
- b. Visible Exports minus Visible Imports
- c. Factor Income received from abroad minus factor income paid abroad
- d. Factor income received from abroad

200. Depreciation means

- a. Destruction of a plant in a fire accident
- b. Loss of fixed assets over time due to wear and tear
- c. Loss of fixed assets in an earthquake
- d. Closure of the plant due to lockout.