SEMESTER 1

Course code EC010102

Course Title MACRO ECONOMICS-I

1) " Inflation is always and everywhere a monetary phenomenon" these are the famous words of
   A) Milton Friedman B). Adam Smith C). David Ricardo
2) When the rise prices is very slow like that of a snail is called
   A) Hyperinflation B). Running inflation C). Creeping inflation
3) The concept of " laissez-faire" was the contribution of
   A.) Classical economist B). Neo Classical economist C). Keynesian economist
4) " Supply creates its own demand" is the idea of
   A) J.B Say B) Samuelson C) J.M Keynes
5) Which of the following is not an assumption of classical theory
   A) Neutrality of money B) Wage price flexibility C) Involuntary unemployment
6) Quantity of money according to classical theory will determine the
   A) Saving and investment B) National output C). Price level
7) Under Keynesian cross model , rate of interest is
   A. Endogenous variable B). Exogenous variable C). Exponential variable
8) Wage price flexibility is the contribution of which of the following economist?
   A. J B Say B) . J M Keynes C). A C Pigou
9) 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
10) The deficiency of aggregate demand during depression period leads to
   A. Seasonal unemployment B). Voluntary unemployment C):Involuntary unemployment
11) In Keynesian model of income determination autonomous investment occurs due to
   A. Change in income B). Change in employment C). Change in social welfare programmes.
12) Which among the following is not a tool of fiscal policy
   A) Government expenditure B. Taxation C. Bank rate
13) The formula for calculating simple multiplier is
   A) 1/1-MPC B. 1/MPC=MPS C. 1/1-MPS
14) The balanced budget multiplier in the Keynesian Cross Model is
   a. Equal to one. (b) Greater than one. (c) Less than one
15) The concept of multiplier was first developed by
   a. J M Keynes b. F A Khan c. J D Clark
16) Which among the following does not have the application of multiplier
   a. Determination of income b. Fiscal policy c. monetary policy
17) Which of the following Fisher's equation of exchange is not correct
   A. MV=PT B.MV=PQ C. MV=PR

18) The relationship between money supply and price level under Quantity theory of money is :
   a. Direct non proportionate relationship b. Inverse proportionate relationship c. direct proportionate relationship
19) In Keynes consumption theory the chief factor that determines consumption expenditure is
   a. Personal income b. Relative income C. Disposable income
20) Under Keynes Psychological law of consumption the relationship between consumption and income is
   a. Linear and proportional b. Non-linear and proportional c. Linear and non-proportional
21) Equation M=KPT is propounded by which of the following Cambridge economists
   a. Keynes b. Marshall c. Robertson
22) The relation between APC and MPC in Keynes Psychological consumption function is
   a. MPC< APC b. MPC=APC c) MPC> APC
23) Under Keyne's consumption function consumption is a _______ function of income
   a. Unstable b. Inverse c. Stable
24) Under Classical theory, demand for labour is the same as
   a. MP curve of labor b. MRP curve of labor c. MC curve of labor
25) The reason for existence of proportional relationship between money stock and price level is
   a. Money illusion b. Inflation c. Full employment
26) Which among the following is not a feature of Keynesian theory?
   a. Short run b. Wage price flexibility c. Fiscal policy
27) Cash balance approach in Quantity theory emphasis on
   A. Money as a medium of exchange B. Money as a store of value C. Money as a measure of value
28) In the classical theory, output and employment are determined by
   A. Production function B. Demand for labor and supply of labour C. Both A & B
29) Under Keynesian theory employment and output is determined by
   A. Saving investment equality B. Production function C. Effective demand
30) In equation C= a+by, a indicates
   A. Consumption at zero level of income B. Average propensity to consume C. MPC
31. Transaction demand for money is a function of
   A) income B) interest C) price
32. IS curve shows that when income increases
   A) Interest rate must fall to restore equilibrium in the goods market B) Interest rate must fall to restore Equilibrium in the asset market C)Interest rate must rise to restore equilibrium in the asset market
33. the LM curve slope
   A vertical B slope upward C slope downwards
34. the slope of IS curve
   A vertical B slope upward C slope downwards
35. Accelerator theory of investment is the ratio of:

A) change in income to change investment B) change in investment to change in income C) change in income to change in interest

36. speculative demand for money is a function of

A) Income B) interest C) prince

37. The Phillips curve

(a) Is a relationship between unemployment rate and output growth rate? (b) Is a relationship between inflation rate and unemployment rate? (c) Is a relationship between employment rate and inflation rate?

38. Consumption function tells the relationship between consumption and ………….

a) Investment b) disposable income c) interest

39. Average propensity to consume is defined as ………..

a) C/Y b) Y/C c) C-Y

40. A rise in disposable income will cause a ……….. in consumption expenditure

a) Rise b) fall c) Constant

41. A linear straight line consumption function shows that the MPC………as income rise

a) Declines b) remain constant c) increase

42. Investment Expenditure is an important component of …………

a) National product b) aggregate Expenditure c) Consumption

43. …………shows the effect of change in investment on income.

a) Multiplier b) Accelerator C) Income

44. ……….measures the effect of consumption on investment.

a) Multiplier b) Accelerator C) Income

45. The essential characteristics of whatever serves as money are that it must…

a) Be issued by the state b) not be wholly fiduciary c) be generally acceptable

46. Money is………

a) Constant in purchasing power b) acceptable only when it has intrinsic value c) the most liquid of all asset

47. The major primary function of money in modern economies is to serve as…..

a) A standard of deferred payment b) a medium of exchange c) a store of value

48. When you purchase your monthly ration from the department store against your promise to pay the amount equivalent to the value of goods purchased, money serve as…………

a) A standard of deferred payment b) a medium of exchange c) a store of value

49. Speculative demand for cash is a …………function of the rate of interest

a) Negative b) positive c) Zero

50. In the situation of liquidity trap, demand curve for money becomes a straight line parallel to the ………….axis

a) Quantity b) rate of interest c) income

51. According to permanent income hypothesis, all increase in

a) Permanent income are saved b) permanent income are consumed c) Transitory income are saved

52. According to the life cycle hypothesis, consumption is related to….

a) Current income b) past peak income c) Expected life time income

53. The user cost of capital is

a) The real rate of interest b) The nominal rate of interest c) The real rate of interest plus the rate of depreciation

54. A distributive lag for net investment may be due to……
    a) A decrease in the capital output ratio b) a) A increase in the capital output ratio c) Limited , short run production capabilities in the capital goods industry
55. Tobin's q theory of investment indicates the firm add to their stock of capital when……….
    a) The replacement value of their real assets exceeds the market value of their financial assets b) The market value of their financial assets exceeds the replacement value of their real assets c) The market value of their real assets exceeds the book value of their financial assets
56. Which of the following results in an increase in the inventory sales ratio?
    a) A decrease in the cost of holding inventory, ceteris paribus b) An increase in the probability of delivery delays for materials, ceteris paribus c) An increase in expected sales, ceteris paribus
57. Simultaneous equilibrium in the money (LM) and goods (IS) markets exists...
    a) At an unlimited number of output levels and rate of interest b) At only one output level and rete of interest c) At an unlimited number of output levels and only one rate of interest
58. The demand for money is …………
    a) Positively related to output and the rate of interest b) negatively related to output and the rate of interest c) positively related to output and negatively related to the rate of interest.
59. Acceleration theory of investment was propounded by………..
    a) Keynes b) Hicks c) Adam smith
60. Life cycle Hypothesis was propounded by……….
    a) Modigliani b) Miller c) Keynes
61. Excess demand for money, according to Say's law in the Economy:
    (A) Is greater (B) Is very less (C) No relationship between excess demand for money and Say's Law
62. Which of the following is not an assumption of classical theory?
    (A) Price flexibility (B) Unemployment (C) Say's law
63. In classical theory the equality between saving and investment is brought about by:
    (A) Rate of interest (B) Income (C) Consumption
64. Equation of exchange is associated with:
    (A) Pigou (B) J.B.Say (C) Irving Fisher
65. The theory explaining the direct relationship between the price level and quantity of money is known as :
    A) Quantity theory of money (B) Say's law of markets (C) Real theory of interest
66. In classical theory the level of employment is a function of:
    (A) Price level (B) Money wage rate (C) Real wage rate
67. Equation of exchange is converted into the quantity theory of money by assuming the following variables as constants:
    (A) V and T (B) M and V (C) M and P

68. Fisher's Equation of quantity theory states that :
    (A) P varies directly with income (B) P varies directly with M (C) P and M are constants
69. In the Cambridge equation of M = kPR, the value of k is:
    (A) M/V (B) 1/V (C) V in Fisher's equation
70. The cash balance equation M = KPO was given by:
    (A) Keynes (B) Pigou (C) Marshall
71. In the equation MV+ MI VI = PT, 'M 'denotes:
    (A) Velocity of money (B) Money in circulation (C) Bank deposit
72. Pigou's version of Cambridge equation is:
    (A) M = KP/Y (B) P= KR/M (C) MV = PT
73. The quantity theory of money was restated by:
    (A) Alfred Marshall (B) Milton Friedman (C) Irving Fisher
74. Milton Friedman restated the :
    A. Labour Theory B. Profit Theory C. Quantity Theory of Money
75. Usually an IS curve is a -------line.
    A. Vertical B. Downward Slopping C. Horizontal
76. When MPC is 0.5, the value of multiplier is:
    A. 5 B. 0.5 C. 2
77. Who propounded Psychological law of consumption
    (A) Adam Smith (B) Ricardo (C) Keynes
78. In the linear consumption function C = a + bY, coefficient 'a' denotes
    (A) MPC (B) APC (C) Autonomous consumption
79. Psychological law of consumption states that the value of MPC is lies between zero and
    (A) 1 (B) 2 (C) 3
80. Monetarism is associated with:
    (A) Keynesian school (B) Chicago school (C) Cambridge School.
81. MEC is inversely related to:
    A. Prospective yield B. Supply price C. Investment
82. Keynes considered subjective and objective factors:
    A. Important determinants of consumption B. Unimportant determinants of consumption C. Determinants of investment
83. Which of the following is correct?
    A. 1+MPS = MPC B. 1- MPC = MPS C. MPC + MPS >1
84. Keynesian three sector model consist of:
    A. Business sector, service sector, external sector B. Households, business, government C. Government sector, open sector, service sector
85. The marginal propensity to save is defined as:
    A. 1-ΔC/ΔY B. S/Y C. Y/S
86. -------------is associated with the theory of multiplier:
    A. Adam Smith B. Malthus C. Keynes
87. The "General Theory" of Keynes was published in the year:
    A. 1936 B. 1776 C. 1930
88. The value of investment multiplier depends on:
    A. APC B. APS C. MPC

89. Wage cut as a solution of unemployment in classical theory is suggested by:
    A. J.B. Say B. A.C. Pigou C. Keynes
90. MEC for a capital good was found out to be 10% and the market rate of interest is 9%, then the investment is
    A. Not profitable B. Profitable C. Breakeven
91. Theory of speculative demand for money is a part of his theory of Portfolio Optimisation is a contribution of….
    A) Tobin B) Boumal C) Keynes
92. Friedman's restatement of the quantity theory of money sates that,
    A) the supply of money is independent of the demand for money B) the supply of money is dependent of the demand for money C) Supply of money is equal to income
93. In economics……………..is a hypothesized process by which people form their expectations about what will happen in the future based on what has happened in the past.
    A) adaptive expectations B) Life cycle C) permanent income
94. The ………is the lowest unemployment rate that can be sustained without causing wages growth and inflation to rise.
    A) NAIRU B) income C) interest
95. The ……….suggests rising public sector spending drives down private sector spending.
    A) Crowding out effect B) Tax C) public expenditure
96. A ………..is when monetary policy becomes ineffective due to very low interest rates combined with consumers who prefer to save rather than invest in higher-yielding bonds or other investments.
    A) liquidity trap B) inflation C) Unemployment
97. Who introduced classical dichotomy?
    A) Alfred Marshall B) Keynes C) Mill
98. A ……… is a measure of the change in aggregate production caused by equal changes in government purchases and taxes.
    A) Balanced Budget Multiplier B) elasticity C) multiplier
99. The ………..is the effect that changes in the price level have upon goods market spending via changes in interest rates.
    A) Keynes effect B) Inflation C) Pigou effect
100. ……………is based on the basic assumption that the size and timing of cash flows are known with certainty
    A) Baumol's model B) Tobin C) Keynes

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Course Title MACRO ECONOMICS-I

Answer Key

1. A). Milton Friedman
2. C). Creeping inflation
3. A). Classical economist
4. A) J.B Say
5. C) Involuntary unemployment
6. C). Price level
7. B). Exogenous variable
8. C). A C Pigou
9. C). MEC and rate of interest
10. C): Involuntary unemployment
11. C). Change in social welfare programmes.
12. C). Bank rate
13. A) 1/1-MPC
14. A). Equal to one
15. B). F A Khan
16. C). monetary policy
17. C). MV=PR
18. C). Direct proportionate relationship
19. .C). Disposable income
20. . B). Non-linear and proportional
21. .C). Robertson
22. .A). MPC< APC
23. C). Stable
24. A). MP curve of labor
25. C). Full employment
26. B). Wage price flexibility
27. B). Money as a store of value
28. C). Both A & B
29. C). Effective demand
30. A). Consumption at zero level of income
31. .A) income
32. A) Interest rate must fall to restore equilibrium in the goods market
33. B) slope upward
34. C) slope downwards
35. B) change in investment to change in income

36. B) interest
37. B) is a relationship between inflation rate and unemployment rate
38. B) disposable income
39. A) C/Y
40. A) Rise
41. B) remain constant
42. B) aggregate Expenditure
43. A). Multiplier
44. .B) Accelerator
45. .C) be generally acceptable
46. .C) the most liquid of all assets
47. .B) a medium of exchange
48. .A). A standard of deferred payment
49. .A) Negative
50. A) Quantity
51. C) Transitory income are saved
52. C) Expected life time income
53. C) The real rate of interest plus the rate of depreciation
54. C) Limited, short run production capabilities in the capital goods industry
55. B) the market value of their financial assets exceeds the replacement value of their real assets
56. .B) an increase in the probability of delivery delays for materials, ceteris paribus
57. .B) At only one output level and rete of interest
58. .C) positively related to output and negatively related to the rate of interest
59. .A) Keynes
60. .A) Modigliani
61. C) There is no relationship between excess demand for money and Say's Law
62. . B) Unemployment
63. A) Rate of interest
64. C) Irving Fisher
65. . A) Quantity theory of money
66. . C) Real wage rate
67. . A) V and T
68. . B) P varies directly with M
69. . B) 1/V
70. . C) Marshall
71. .. B) Money in circulation
72. .. B) P= KR/M
73. .. B) Milton Friedman
74. . C). Quantity Theory of Money
75. .. B). Downward Slopping
76. ..C). 2
77. ..C) Keynes
78. ..C) Autonomous consumption

79. .A) 1
80. .C) Cambridge school
81. .A). Prospective yield
82. .B). Unimportant determinants of consumption
83. .B). 1- MPC = MPS
84. .B). Households, business, government
85. .A). $1-\Delta C/\Delta Y$
86. .C). Keynes
87. .A). 1936
88. .C). MPC
89. .B). A.C. Pigou
90. .B). Profitable
91. .A) Tobin
92. .A) the supply of money is independent of the demand for money
93. .A) adaptive expectations
94. .A) NAIRU
95. .A) crowding out effect
96. .A) liquidity trap
97. .A) Alfred Marshall
98. .A) Balanced Budget Multiplier
99. .A) Keynes effect
100. A) Baumol's model