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COLLEGE OF SCIENCE AND TECHNOLOGY
Affiliated to University of Mumbai

Question Bank

Class: SYBMS

Semester: IV

Subject: Business Economics

1. 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 the above
2. Which of the following is NOT a stock variable
 - a. Capital
 - b. Wealth
 - c. Interest
 - d. Saving
3. The word Macro was first used in Economics by_____.
 - a. Keynes
 - b. Marshall
 - c. Ragnar Frisch
 - d. J.R. Hicks
4. National Income is a _____
 - a) Stock concept
 - b) Flow concept
 - c) Cross section analysis
 - d) None of the above
5. A variable which has no time dimension but is described at a specific moment of time is
 - a) Stock Variable
 - b) Flow Variable
 - c) Ratio Variable
 - d) None of the above

6. Stock variable is measured _____.

- a) At a point of time
- b) During a period of time
- c) In an accounting year
- d) None of these

7. If a model has no equilibrium, it can be analysed only by _____.

- a) Static method
- b) Dynamic method
- c) Comparative static method
- d) static and comparative static method

Macro-static equilibrium implies_____.

- a) A complete absence of change
- b) A change at an unchanged rate
- c) A change in only absolute values
- d) None of these

8. Who introduced the terms ex-ante and ex-post?

- a) Myrdal
- b) Ricardo
- c) Malthus
- d) Say

9. Which of the following is a phase of Circular flow of income?

- a) Generation phase
- b) Distribution phase
- c) Disposition phase
- d) All of these

10. Which of the following is NOT considered a factor income_____.

- a) Rent
- b) Wage

- c) Profit
 - d) Gifts from Abroad
11. Two sector economy consists of:
- a) Households, firms
 - b) Households, Government
 - c) Firms, Foreign sector
 - d) Firms, Government.
12. Real flow is also known as _____.
- a) Nominal flow
 - b) Money flow
 - c) Physical flow
 - d) Both a and b
13. Which of the following is the consumption sector?
- a) Household
 - b) Firm
 - c) Government
 - d) Foreign
14. 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
15. In a closed economy, ----- is not included
- a) Households
 - b) Firm
 - c) Government
 - d) Foreign sector
17. which of the following constitute the reason for difference between Market prices and factor cost?
- a) Indirect Taxes
 - b) Subsidies
 - c) Both A and B
 - d) neither a nor b

18. If factor cost is greater than Market price, then it means that:

- a) Indirect taxes > subsidies
- b) Indirect taxes = subsidies
- c) Indirect Taxes < Subsidies
- d) Indirect taxes = and > subsidies

19. Final goods refer to those goods which are used either for or for

- a) Consumption, Investment
- b) Consumption, resale
- c) Resale, investment
- d) Resale, further production.

20. Net Factor Income from Abroad is:

- a) Export 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

21. 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.

22. Market price and factor cost would be equal when there is:

- a) No Direct Tax
- b) No Indirect Tax
- c) No Subsidy
- d) No Indirect Tax And No Subsidy

22. Which of the following is an example of Transfer Income?

- a) Bonus
- b) Unemployment Allowance
- c) Compensation from the employer
- d) All of these

23. Which of the following is an example of an intermediate good?

- A) car sold by a dealer of second hand cars
- b) steel and cement used to construct a flyover

- c) fertilizers purchased by a farmer
- d) all of these

24. Out of the following, which aggregate represents 'National Income'?

- a) NNP_{MP}
- b) GNP_{FC}
- c) NNP_{FC}
- d) GNP_{MP}

25. if factor income received from abroad is equal to factor income paid abroad, then which of the following is not a valid statement?

- A) national income = domestic income
- b) $NDP_{FC} + DEPRECIATION = GNP_{FC}$
- c) $NDP_{FC} + DEPRECIATION = GNP_{MP}$
- d) all are valid

26. Corporate tax is not a part of :

- a) Personal Income
- b) National income
- c) Domestic income
- d) Private income

27. National Disposable income is equal to:

- a) Private Final Consumption Expenditure + Government Final Consumption Expenditure + National Saving
- b) National Consumption Expenditure + National Saving
- c) National Income + Net Indirect Taxes + Net Current Transfers from rest of the world.
- D) all of these.

27. If economic subsidies are added to and Indirect taxes are subtracted from the national income at market prices, then it will be equal to :

- a) Domestic Income
- b) National Income
- c) GNP at Market Price
- d) GDP at factor cost

28. In which type of economy, domestic income is equal to national income?

- a) Open economy
- b) Closed Economy
- c) Both a and b
- d) Neither a nor b

29. Domestic factor income is another name for:

- a) NDP_{FC}
- b) NNP_{MP}
- c) GDP_{FC}
- d) NNP_{FC}

30. Which of the following is a part of National Income?

- A) old age pension
- b) unemployment allowance
- c) profit
- d) scholarship

31. NDP_{FC} is less than National Income when:

- a) Net factor income from abroad is positive

- b) Net factor income from abroad is negative
- c) Net factor income from abroad is zero
- d) Net exports are positive

32. National income is equal to:

- a) Domestic product plus factor income earned from abroad
- b) domestic product plus net factor income earned from abroad
- c) Domestic product mins factor income earned from abroad
- d) Domestic product plus export minus imports

33. is the net amount available to households for consumption and saving

- A) national income
- b) personal income
- c) personal disposable income
- d) government income

34. GNP exceeds NNP by:

- a) Amount of total taxes
- b) Government expenditure
- c) Transfer payments
- d) Difference between Gross investment and Net Investment

35. GDP MP = Rs.1000 and subsidies = Rs.50, then GDP FC will be :

- a)1050
- b) 950
- c) 1000
- d) 900

36. "Income method" is also known as:

- A) distributive share method
- b) income disposal method
- c) industrial origin method
- d) none of these

37. Which of the following is a synonym of "Undistributed Profits"?

- a) savings of private corporate sector
- b) reserves and surpl
- c) retained earnings
- d) all of these

38 Which one is included in National Income?

- a) winning from lottery
- b) milk purchase by a dairy shop
- c) national debt interest
- d) none of these.

39'Distributed Profits' is also known as:

- a) Corporate tax b) Dividend c) Retained Earnings d) None of these

40.If a farmer sells Wheat to miller for RS.500 and miller sells flour to baker for Rs.700 and baker sells bread to consumer for Rs.1000, then total value added by Miller and baker is:

- a) 500 b) 300 c) 1700 d) 1200

41.Which of the following is included in domestic income?

- A)factor income from abroad b) windfall gains c) pension on retirement d) capial gains

42.Expenditure method focuses on measurement of National income at:

- A) phases of production of goods and services b) phase of income distribution c) phase of income disposition
d) all of these

43.which of the following is not an economic activity and hence not included while estimating national income in india?

- A)medical services rendered by a dispensary b) a housewife doing household work c) a lawyer doing his practiced)
d) a maid working full time with a family

44.National product at current prices is higher than national product at constant prices during a period of :

- a) Rising prices b)Falling prices c) Constant prices d) Both a and b

45.Net Factor Income from Abroad is taken into account when National Income is calculated by:

- A) value added method b) income method c) expenditure method d) any of the three

46.Broker's commission on sale and purchase of second hand goods is included in national income because:

- a) It is a part of compensation of employees
b) It is a part of GRoss Domestic Capital Formation
C) it is an income earned for rendering productive services
d) None of these

47.Which of the following is not a demerit of direct taxes?

- (a) Arbitrary (b) Inconvenient (c) Elastic (d) None of the above

50. economist associated with the principle of maximum Social Advantage is.....

- (a) Seligman
(b) Samuelson

(c) Dalton

(d) Sweezy

51. Maximum social advantage is achieved when.....

(a) Marginal Social Sacrifice=Marginal Social Benefit

(b) Total Social Sacrifice=Total Social Benefit

(c) Average Social Sacrifice=Average Social Benefit

(d) Net Social Sacrifice=Net Social Benefit

52. Which of the following is not an assumption of principle of MSA?

(a) All taxes result in sacrifice

(b) All public expenditures lead to benefits

(c) Public revenue consists only of taxes

(d) The budget may be surplus or deficit

53. Public expenditure is subject to.....

(a) Diminishing marginal social benefit

(b) Increasing marginal social benefit

(c) Diminishing marginal social sacrifice

(d) Increasing marginal social sacrifice

54. MSB declines with every additional unit of money spent by the government due to

(a) Diminishing marginal returns

(b) Diminishing marginal utility

(c) Diminishing marginal productivity

(d) All the above.

55. When the size of the budget is less than optimum, then.....

(a) $MSS < MSB$

(b) $MSS > MSB$

(c) $MSS = MSB$

(d) NMB is zero

56. The Maximum welfare Principle of Budget Determination associated with.....

(a) Hugh Dalton

(b) Paul Samuelson

(c) Edwin Seligman

(d) Richard Musgrave

57. Marginal Social Benefit (MSB) is based on the principle of.....

(a) Increasing Marginal Utility

(b) Diminishing marginal Utility

(c) Equi Marginal Utility

(d) None of above.

58. Marginal social benefit curve_____

- (a) Increases
- (b) Diminishes
- (c) Remains constant
- (d) None of above

59. The test of maximum social advantage is_____

- (a) Economic stability
- (b) Improvement in production
- (c) Improvement in Distribution
- (d) All of above

60. The objective of fiscal policy of the government should be _____.

- (a) To increase production
- (b) To reduce inequality of Income and wealth
- (c) To maintain economic growth
- (d) All of above

61. Which of the following does not form the basis of sound finance?

- (a) Say' s law
- (b) Assumption of full employment
- (c) Ricardian Equivalence Theorem
- (d) Learner's Fundamental Rights

62. According to Say' s Law,

- (a) Budget deficits do not simulate the economy
- (b) Supply creates its own demand
- (c) The government shall maintained a reasonable level of demand at all times
- (d) The capitalists system will collapse due to inherent crises.

63. The origin of the term functional finance is attributed to_____

- (a) J. M Keynes
- (b) A. C. Pigou
- (c) A.P. Lerner
- (d) Marshall

64. Which of the following statements does not characterize Lerner' s Fundamental Rules of functional Finance ?

- (a) The government shall maintain reasonable level of demand at all times.
- (b) The government shall maintain that rate of interest that includes the optimum amount of

investment.

(c) The government shall prevent inflation by reducing its own expenditure or by increasing taxes.

(d) The government shall maintain a balanced budget at all times except during wartime.

65. Which of the following statements applies to the principle of functional finance?

(a) Budget deficits are uneconomical at all times and should be avoided

(b) Social objectives should be the primary focus of fiscal policy

(c) Government spending should be restricted to traditional functions

(d) Every public expenditure is inflationary

66. According to functional finance, _____ budget should be adopted during inflation.

(a) Surplus

(b) Deficit

(c) Balanced

(d) None of these

67. Which of the following is not a demerit of direct taxes?

(a) Arbitrary

(b) Inconvenient

(c) Elastic

(d) None of the above

68. Incidence of tax refers to which of the following ?

(a) Final money burden of a tax

(b) Initial money burden of a tax

(c) Indirect money burden

(d) Real burden of tax

69. In the case of perfectly elastic demand the money burden of tax is

- (a) Entirely on the seller
- (b) Partially on the seller
- (c) Entirely on the buyer
- (d) Shifted partially to the buyer

70. In the case of perfectly inelastic demand, the money burden is

- (a) Entirely on the buyer
- (b) Fully borne by the seller
- (c) Shifted partially to the buyers
- (d) None of the above

71. In the case of perfectly elastic supply the incidence of tax is

- (a) Entirely on the buyer
- (b) Fully borne by the seller
- (c) Shifted partially to the buyers
- (d) None of the above

72. When the supply is more elastic the burden of tax is

- (a) More on the buyers
- (b) More on the sellers
- (c) Borne fully by the sellers
- (d) Borne fully by the sellers

73. Under constant cost condition, the burden of tax is

- (a) Shifted fully to the buyers
- (b) Borne fully by the sellers
- (c) Shifted partially to the buyers
- (d) More than amount of tax

74. The process of transferring the money burden of tax is called

- (a) Impact
- (b) Shifting
- (c) Incidence
- (d) Imposition

75. The comparative cost advantage theory was given by_____.

- a) Adam Smith
- b) David Ricardo
- c) Marshal
- d) None of above

76. According to_____ the essence for international trade is not the absolute difference in cost but comparative difference in cost.

- a) Adam Smith
- b) David Ricardo
- c) Marshal
- d) None of above

77. Ricardian theory is not applicable to_____.

- a) All countries
- b) Developing countries
- c) Developed countries

d) None of above

76. The comparative cost advantage theory is based on_____.

a) Increasing returns to scale

b) constant returns to scale

c) Decreasing returns to scale

d) None of above

77. Ricardian theory concentrates on the_____ of goods.

a) Demand

b) Supply

c) Consumption

d) None of above

78. _____ theory is based on only two countries and only two commodities.

a) Adam Smith

b) David Ricardo

c) Marshal

d) None of above

79. According to Ricardo international trade is beneficial under_____.

a) Absolute cost

b) comparative cost

c) Equal difference in cost

d) None of above

80. Ricardian theory assumes perfect mobility of labour_____.

- a) between the countries
- b) within the country
- c) both within and between the countries
- d) None of above

81. Ricardian theory measures comparative cost in terms of_____.

- a) Money
- b) labour days
- c) Cost of all inputs
- d) None of above

82. The modern theory of international trade was given by_____.

- a) Adam Smith
- b) Heckscher Ohlin
- c) Marshall
- d) Ricardo

83. _____ theory is based on two countries, two commodities and two factors.

- a) Comparative cost theory
- b) Heckscher Ohlin theory
- c) Demand theory
- d) None of above

84. In modern theory_____ is the responsible factor.

- a) Labour
- b) Factor abundance
- c) Money

d) None of above

85. H.O theory can explain_____.

a) Inter regional trade

b) International trade

c) Both a and b

d) All the above

86. Ohlin's theory of international trade is also known as_____.

a) Traditional theory

b) Modern theory of international trade

c) Opportunity cost theory

d) None of above

87. Modern theory is based on the assumption of_____.

a) trade between many countries

b) Free trade

c) Labour intensive production

d) Non of above

88. According to modern theory relative factor prices in two countries are determined by_____.

a) effective of Labour

b) Differences in factor endowments

c) comparative cost conditions

d) None of above

89. Gains from trade will be more of a country in its trade terms are_____ to international terms of trade.

- a) Closed
- b) nearer
- c) Open
- d) None of above

90. Higher income will help the people of a country to _____ cheaper goods.

- a) Export
- b) Import
- c) Produce
- d) None of above

91. Trade results in additional _____.

- a) Gains to richer countries
- b) Production and consumption
- c) Gains to poorer countries
- d) None of above

92.. If a country attempts tom produce everything it requires_____.

- a) Lower cost and lower production
- b) higher cost and lower production
- c) higher cost and higher production
- d) lower cot and higher production

93. Each country tries to specializes in the production of those goods and services which it can produce at_____.

- a) higher cost production
- b) lower cost of production
- c) higher rate of return
- d) lower rate of return

94.. An increase in import prices or declining in export prices will_____.

- a) improves terms of trade
- b) worsen terms of trade
- c) no effect on terms of trade
- d) none of these

95. Due to international trade the country has a_____.

- a) lower combination of goods
- b) larger combination of goods
- c) lesser combination of goods
- d) fewer combination of goods

96. Exchange rate is determined by_____ of foreign exchange.

- a) Demand
- b) Demand and Supply
- c) Supply
- d) None of above

97. _____ of goods contributes a major part of total imports.

- a) Export
- b) Import
- c) Entre-port

d) None of above

98. Import of services have been _____ in recent years.

a) Decreasing

b) Increasing

c) Expanding

d) None of above

99. Devaluation aims at influencing the prices of only_____ goods.

a) Consumer

b) traded

c) Industrial

d) None of above

100. _____ is a measure of correcting disequilibrium in unpoplar.

a) Depreciation

b) Deflation

c) Devaluation

d) None of above

