



PUNE VIDYARTHI GRIHA'S
COLLEGE OF SCIENCE AND TECHNOLOGY
Affiliated to University of Mumbai

Question Bank

Class: SYBCOM

Semester: III

Subject: BUSINESS ECONOMICS

1. Who is credited with bringing the term "the invisible hand"• in economics?
a) Adam Smith
b) John Maynard Keynes
c) F. Hayek
d) Samuelson

2. What percentage of Indian population is dependent on agriculture?
A. 65% of total population
B. 53% of total population
C. 40% of total population
D. 65% of total population

3. The first financial institution set up in India
A. IDBI
B. ICICI
C. IRBI
D. IFCI

4. Who is called as the 'founding father of modern economics'?
a) Adam Smith
b) John Maynard Keynes
c) F. Hayek
d) Samuelson

5. Macroeconomics as a separate branch came to be studied after the contributions of which economist?
a) Adam Smith
b) John Maynard Keynes
c) F. Hayek
d) Samuelson

6. Black revolution is related to the.....
A. Fish production

- B. Coal production
- C. Crude oil production
- D. Mustard Production

7. When did the Great Depression hit the United States?

- a) 2007
- b) 1929
- c) 1936
- d) 2001

8. In order to control credit and investment, the Central Bank of a country should

- A. Sell securities in the open market and hike the cash reserve ratio.
- B. Buy securities in the open market and lower the cash reserve ratio.
- C. Buy securities from the open market and hike the cash reserve ratio.
- D. Sell securities in the open market and lower the cash reserve ratio.

9. Which of the following is a major area of study for economists?

- a. How countries choose national leaders.
- b. The design of recycling water.
- c. The best way to design a nature reserved.
- d. How people make decisions

10. What percentage of Indian GDP is contributed by the service sector?

- A. 25 % of GDP
- B. 60 % of GDP
- C. 53% of GDP
- D. 49 % of GDP

11. Economic models:

- a. Emphasize basic economic relationships by abstracting from the complexities of the real world.
- b. Are limited to variables that are positively related to one another.
- c. Are of limited use because they cannot be tested empirically.
- d. Are unrealistic as they cannot accurately predict the future

12. For economists, statements about the world are of two types:

- a. Assumptions and theories.
- b. Positive statements and negative statements.
- c. Positive statements and normative statements.
- d. Specific statements and general statements

13. The opportunity cost of going to university is

- a. The total spent on food, clothing, books, transportation, tuition, lodging and other expenses
- b. Zero for students who are fortunate enough to have all of their university expenses paid by someone else
- c. Zero, since a university education will allow a student to earn a higher income after graduation

d. The value of the best opportunity a student gives up to attend university

14. Which of the following sector does not come under the service sector in India?

- A. Real estate
- B. Transport
- C. Restaurants & hotels
- D. Formation of electronic television

15. Which one of the following is not an instrument of credit control in the banking system?

- A. Open market operations
- B. Cash Reserve Ratio
- C. Tax rates
- D. All of the above

16. In a market economy:

- a. Households decide which firms to work for and what to buy with their incomes.
- b. Profit and self-interest guide the decisions of firms and households.
- c. Firms decide whom to hire and what to produce.
- d. All of the above are true

17. The difference between the values of final production and value of the inputs is called:

- a. The gross product of the final goods and services.
- b. The value added of the final goods and services.
- c. The profit of the final goods and services.
- d. The surplus of the final goods and services

18. One of the items is not related with e-banking

- A. Demand draft
- B. SPMS
- C. ECS
- D. ATM

19. Which activity is termed as activity of tertiary sector?

- A. Wheat production
- B. Mobile production
- C. Construction of a dam
- D. Fishing

20. Real GDP is:

- a. Production of foods and service valued at constant prices
- b. Production of foods and service valued at future-year prices.
- c. Production of foods and service valued at current-year prices
- d. Production of foods and service valued at Ratio of current-year prices to constant prices

21. Which of the following industry is known as sun rising industry?

- A. Dairy industry
- B. Information Technology
- C. Health and clinic

D. None of these

22. If a borrower and lender agree to an interest rate on a loan when inflation is expected to be 5% and inflation turns out to be 9% over the life of the loan, then the borrower __ and the lender __.

- a. Gains; gains.
- b. Loses; gains.
- c. Loses; loses.
- d. Gains; loses.

23. Which of the following is a measure of selective credit control

- A. Bank rate policy
- B. Statutory cash reserve ratio
- C. Open market operation
- D. None of the above

24. David's 1965 salary was \$15 000. The CPI is 27 for 1965, and 150 for 2015. What is David's salary in 2015 dollars?

- a. \$45 000.
- b. \$25 000.
- c. \$83 333
- d. \$33 333

14. If net exports are negative, the country has a:

- a. Trade balance.
- b. Trade Surplus.
- c. Trade Deficit.
- d. Budget surplus.

25. Which of the following is used for International Monetary Transfer?

- A.RTGS
- B.NEFT
- C.SWIFT
- D.None of these

26. Net foreign investment measures:

- a. Foreign assets held by domestic residents.
- b. Investment plus saving
- c. The imbalance between the amount of foreign assets bought by domestic residents and the amount of domestic assets bought by foreigners
- d. All of the above

27. What is the current rate of service tax in India currently?

- A. 12.5%
- B. 13.5%
- C. 14%
- D. 14.5%

28. How many services (till 2012) are included in the service tax currently in India?

- A. 119
- B. 110
- C. 98
- D. 85

29. NABARD has taken over the entire functions of

- A. ARDC
- B. ACD of RBI
- C. RPCD of RBI
- D. All of the above

30. Purchasing power parity describes the forces that determine:

- a. Exchange rates in the short run.
- b. Prices in the short run
- c. Prices in the long run.
- d. Exchange rates in the long run

31. What is OTP in credit card transaction?

- A.Odd Transaction Password
- B.Owner is Trading Pass code
- C.One Time Password
- D.One Time Pincode

32. According to ___, net taxes ___ during an economic expansion.

- a. Automatic stabilizers; fall.
- B. Automatic stabilizers; rise
- C. Automatic destabilizers; rise.
- D. Automatic destabilizers; fall

33. The features of the commercial paper are

- A. It is an unsecured instrument issued in the form of promissory note.
- B. The highly rated corporate borrowers can raise short term funds through this instrument.
- C. It is an additional instrument to the investing community.
- D. All of the above

34. A country's balance on merchandise trade equals:

- a. The value of tariffs less the number of quotas.
- b. The value of exports minus the value of imports
- c. The number of quotas less the value of tariffs.
- d. The value of imports minus the value of exports

35. Macroeconomics as a separate branch of economics, emerged after the British economist John Maynard Keynes published his celebrated book

- a. The Wealth of Nations
- b. On the Principles of political Economy and Taxation
- c. The Affluent Society
- d. The General Theory of Employment, Interest and Money

36. In India, merchant-banking activity was originated with the merchant banking division set up by the _____.

- a. Barclays bank
- b. Grind lays bank
- c. Yes bank
- d. None of the above

37. State Bank of India started merchant banking in _____ followed by ICICI in _____.

- a. 1972, 1974
- b. 1978, 1980
- c. 1973, 1974
- d. 1980, 1981

38. "An Enquiry into the Nature and Cause of the Wealth of Nations" book is written by?

- a. Adam Smith
- b. John Maynard Keynes
- c. Sir Richard Hicks
- d. Joseph Stiglitz

39. Since when the service tax is being imposed in India?

- A. 1991
- B. 1999
- C. 1994
- D. 2001

40. Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) None of these

41. Formal merchant banking activity in India was originated in _____.

- a. 1978
- b. 1969
- c. 1769
- d. 1987

42. What are consumption goods?

- a) Goods used for consumption in the production process
- b) Goods such as tools, machinery, etc which are used to create final consumption goods
- c) Goods and services that are consumed fully when purchased by the consumers
- d) None of the above

43. Which of the following is not the fund based business of commercial banks?

- A.D.P. Operation
- B.Loans
- C.Deposits

D.Depositing Bills

44 What does the term Gross investment mean while denoting a nation's economy?

- a) Gross investment= Net investment + Depreciation
- b) Gross investment= Net investment - Depreciation
- c) Gross investment= Depreciation - Net investment
- d) None of the above

45. Currency chest balance will be periodically verified by

- A.Bank own officials
- B.RBI Officials
- C.Both (a) and (b)
- D.Officials of AG's office

46. A merchant bank is a financial institution conducting money market activities and:

- a. Lending
- b. Underwriting and financial advice
- c. Investment service
- d. All of the above

47. Intermediate goods are not included to calculate the final output because:

- a) they do not have value
- b) they have unknown value
- c) their value is included in final goods so they are not added to avoid the problem of double counting
- d) none of the above

48. The early growth of merchant banking in the country is assigned to the _____.

- a. FEMA
- b. Foreign Exchange Regulation Act, 1973
- c. Securities Contracts Act
- d. Income-tax Act

49. Developmental activities of merchant banking:

- a. Sources of funds forever
- b. Expanding industry and trade
- c. Leaving a widening gap unbridged between supply and demand of investible funds.
- d. All of the above

50. The merger of _____and _____was the first M and A activity after liberalization.

- A.Times Bank and HDFC Bank
- B.New Bank of India and Punjab National Bank
- C.ICICI and ICICI Bank
- D.GTB and Oriental Bank of Commerce

51. The merger of _____and _____was the first M and A activity after liberalization.

- A.Times Bank and HDFC Bank
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C.ICICI and ICICI Bank

D.GTB and Oriental Bank of Commerce

52.Secondary markets in treasury bills require involvement of _____ and _____.

- a. Brokers, Dealers
- b. Buyers, Sellers
- c. Consumer, Producer
- d. All of the above

53. Merchant bank is an organization thata. Underwrites securities for corporations

- b. Advice clients on mergers
- c. Involved in ownership of commercial ventures
- d. All of the above

54. Issue management is an important function of _____ and _____.

- a. Merchant banker, lead manager
- b. Public banker, Merchant banker
- c. Lead banker, Private banking

55. Which one is not finance company?

- A.Hire-purchase finance company
- B.IRDA
- C. Mutual Benefit finance companies
- D.Loan companies

56. Grapes are mainly produced in the state of _____ .

- (a) Meghalaya
- (b) Himachal Pradesh
- (c) Mizoram
- (d) Andhra Pradesh

57. Categories of securities issue:

- a. Public issue
- b. Rights issue
- c. Private placement
- d. All of the above

58. Private placement coversa.

- a. Shares
- b. Preference shares
- c. Debentures
- d. All of the above

59. Which one is not the part of Migration to new capital adequacy framework based on the three pillar approach namely?

- A.Minimum capital requirement
- B.Supervisory Review
- C.Market discipline

D.Book keeping

60. Which of the following limits the power of credit creation by Commercial Bank

- A.Fiscal Policy
- B.Banking Loan
- C.Business Possession
- D.None of the above

61. The _____ has to manage the post-issue activities.

- a. Merchant banker
- b. Lead manager
- c. Bank promoter
- d. All of the above

62. It is a process by which a demand for the securities proposed to be issued by a body corporate is elicited.

- a. Book building
- b. Share certificate
- c. Promoter issue
- d. Circular

63. Grouping of small land holdings into a bigger one is called

- (a) ceiling on land holdings.
- (b) collectivisation.
- (c) cooperative farming.
- (d) consolidation of land holdings.

64. Intensive subsistence farming is practised in area of _____. [CBSE 2012]

- (a) high population
- (b) low population
- (c) deserts
- (d) thick forests

65. Financial services through the network of elements such as _____, serve the needs of

individuals, institutions and Corporate.

- a. Financial institutions
- b. Financial markets
- c. Financial instruments
- d. All of the above

66. _____ is regarded as the fourth element of the financial system.

- a. Financial services
- b. Financial markets
- c. Financial instruments
- d. Financial institutions

67. From which date have all banks started sharing their ATM force of cost for transactions?

A.January 1, 2009

B.April 1, 2009

C.July 1, 2009

D.September 1, 2009

68. CRISIL has been promoted by _____ and _____.

a. ICICI, UTI

b. IDBI, SBI

c. AXIS, UTI

d. PNB, SBI

69. The term _____ is defined as a central location for keeping securities on deposit.

a. Depository

b. Instrument

c. Institutions

d. None of the above

70. Black revolution is related to the.....

A. Fish production

B. Coal production

C. None of the above

D. Mustard Production

71. When did the Great Depression hit the United States?

a) 2007

b) None of the above

c) 1936

d) 2001

72. Any change in flow of funds and the demand of them, is clearly reflected in –

a. Call money market

b. Money market

c. Repo market

d. Commercial bill market

73. _____ operates in Inter-bank call money market.

a. Scheduled commercial banks

b. Co-operative banks

c. Financer house of India

d. All of the above

74. Lead merchant banker should advice the issuer to enter into ----- with a particular intermediary for the purpose of issue management.

(a) Memorandum of understanding

(b) R O C

(c) Agreement

(d) Arrangement.

75. The number of lead merchant bankers may not exceed in case any issue of, issue size 200crore to 400crore.

- (a) 4
- (b) 3
- (c) 6
- (d) 5.

76. How many services (till 2012) are included in the service tax currently in India?

- A. None of the below
- B. 110
- C. 98
- D. 85

77. NABARD has taken over the entire functions of

- A. ARDC
- B. ACD of RBI
- C. RPCD of RBI
- D. None of the above

78. What percentage of Indian population is dependent on agriculture?

- A. 65% of total population
- B. None of the above
- C. 40% of total population
- D. 65% of total population

79. The first financial institution set up in India

- A. IDBI
- B. ICICI
- C. IRBI
- D. None of the above

80. A merchant bank can help an organization specifically in promotional functions,

-----.

- (a) Sponsoring the issue
- (b) Marketing
- (c) None of these
- (d) All of these.

81. Role of merchant bankers-----.

- (a) Mobilization of funds
- (b) Promotional function
- (c) Innovation
- (d) All of these

82. ----- is a financial intermediary who helps to mobilize and transfer capital from those

who possess it to those who need it.

- (a) Lease finance

- (b) Venture capital
- (c) Merchant banker
- (d) hire purchaser

83. ----- is a long term risk capital to finance high technology projects which involve risk but at same time has strong potential for growth.

- (a) Venture capital
- (b) hedge finance
- (c) Merchant banker
- (d) hire purchaser.

84. The first financial institution set up in India

- A.IDBI
- B.ICICI
- C.IRBI
- D.FCI

85. -----act as an intermediary to link up the sources of ideas and the sources of fund.

- (a)Venture capital
- (b) Merchant banking
- (c) Leasing
- (d) None of these.

86. Which of the following is not a fee-based financial service?

- (a) Corporate counseling
- (b) Lease financing
- (c) Profit management
- (d) Issue management.

87. Issue management is an important function of _____ and _____.

- a. None of the below
- b. Public banker, Merchant banker
- c. Lead banker, Private banking

88. Which one is not finance company?

- A.Hire-purchase finance company
- B.none
- C. Mutual Benefit finance companies
- D.Loan companies

89. All merchant bankers must have minimum net worth of -----.

- (a) 5crore
- (b) 1crore
- (c) 10crore
- (d) 20crore.

90. Find out odd one- Authorization criteria of merchant bankers.

- (a) All business performed
- (b) professional competence
- (c) Capital adequacy
- (d) Past experience.

91. ----- covers the entire range of services provided by a merchant banker.

- (a) Project counseling
- (b) Corporate counseling
- (c) Credit syndication
- (d) Market makers.

92. Functions of financial services exclude -----.

- (a) Mobilization of savings (b) Allocation of fund
- (c) Specialized services (d) Collection of tax.

ANS: D

93. Financial service companies exclude -----.

- (a) Commercial banks
- (b) Insurance companies
- (c) Sole proprietorship
- (d) Crepitating agencies.

94. Financial services offered financing risk project e.g. Risk capital scheme of IFCI venture capital fund of IDFI etc. to provide -----.

- (a) Seed capital
- (b) Venture capital
- (c) Primary fund
- (d) secondary fund.

95. Category 1 merchant bankers can act as .

- (a) Only as advisor
- (b) Underwriter
- (c) Consultant
- (d) All issue management functions.

96. Economic models:a.

- a. NONE OF THE BELOW
- b. Are limited to variables that are positively related to one another.
- c. Are of limited use because they cannot be tested empirically.
- d. Are unrealistic as they cannot accurate predict the future

97. For economists, statements about the world are of two types:

- a. Assumptions and theories.
- b. Positive statements and negative statements.
- c. NONE OF THE ABOVE
- d. Specific statements and general statements

98. Merchant banker shall not associate with any business other than that of the securities market.

- (a) False
- (b) True
- (c) None of these
- (d) All of these.

99. The number of lead merchant bankers may not exceed in case any issue of , issue size less

than Rs.50crore, number of MBs -----.

- (a) 1
- (b) 3
- (c) 2
- (d) 4.

100. The principal instruments of the organized money market –

- 1. The call money market
 - 2. The repo market
 - 3. The treasury bill market
 - 4. The commercial bill market
 - 5. The certificate of deposits market
 - 6. The commercial papers market
 - 7. The money market mutual funds
- a. 1, 2, 4, 5, 7
 - b. 2, 3, 5, 6, 7
 - c. 1, 2, 3, 6, 7
 - d. All of the above

MODULE-II : BASIC CONCEPTS OF KEYNESIAN ECONOMICS

- 1) According to Keynes, as income increases, both MPC and APC -----
 - a) Rise
 - b) Fall
 - c) Remain constant
 - d) Zero
- 2) 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 savings
- 3) The theory of employment multiplier was developed by
 - a) J.M. Keynes
 - b) R.F. Khan
 - c) Marshal
 - d) Robinson
- 4) The quantity of money supply is determined by
 - a) Demand and supply of money
 - b) Capital market
 - c) Money market
 - d) Monetary authority
- 5) 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
- 6) The point where the aggregate demand and aggregate supply curve intersect is called
 - a) Total demand
 - b) Effective demand
 - c) Equilibrium demand
 - d) Non-equilibrium demand
- 7) Keynes consumption function helps to invalidate
 - a) Keynes theory
 - b) Fisher's equation
 - c) Say's law
 - d) Employment theory
- 8) MEC curve
 - a) Slopes upwards
 - b) Slopes downwards
 - c) Remains constant
 - d) Does not change
- 9) The value of multiplier is inversely related to
 - a) MPC
 - b) MPS
 - c) APC
 - d) APS

10) In what way multiplier is related to MPS?

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

11) The transaction motive of liquidity preference is

- a) Interest elastic
- b) Income inelastic
- c) Interest inelastic
- d) Income elastic

12) Precautionary demand for liquidity is determined by

- a) Rate of interest
- b) Rate of inflation
- c) Bond prices
- d) Income

13) The 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) A decrease in MS with no change in LP

14) At very low rate of interest, the liquidity preference curve becomes

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

15) According to Keynes, interest is -----

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

16) 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

17) Investment will be in equilibrium when ----- becomes equal to the given current rate of interest

- a) MEC
- b) Profit
- c) Savings
- d) Income

18) 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

19) The MPS is the counterpart of

a) APC

b) MPC

c) APS

d) MPS

20) According to Keynes, in order to increase employment, we have to increase aggregate

a) Supply

b) Output

c) Demand

d) Investment

21) The logical starting point of Keynes theory of employment is

a) The principle of effective demand

b) Aggregate demand

c) Aggregate supply

d) Aggregate investment

22) John Maynard Keynes is

a) German economist

b) Swiss economist

c) French economist

d) American economist

23) Rate of interest is determined by

a) Liquidity preference

b) Supply of money

c) Demand for money

d) Investment

24) 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

25) The consumption function or the propensity to consume refers

a) To income saving relationships

b) To income investment relationships

c) To income consumption relationships

d) To income expenditure relationships

26) APC =

a) C/Y

b) S/Y

c) I/C

d) C/S

27) MPC =

a) $\Delta C / \Delta I$

b) $\Delta C / \Delta S$

c) $\Delta S / \Delta Y$

d) $\Delta C / \Delta Y$

28) Marginal efficiency of capital refers to -----

a) The rate of profit expected

b) The rate of investment made

c) The rate of saving made

d) The rate of expenditure made

29) Multiplier K = -----

a) $1/(1-MPC)$

b) $\Delta C/\Delta I$

c) $\Delta C/\Delta Y$

d) I/C

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

a) Change in investment

b) Change in savings

c) Change in interest

d) Change in employment

31) The Keynesian multiplier is simply the reciprocal of -----

a) Marginal propensity to consume

b) Marginal propensity to save

c) Marginal propensity to invest

d) Marginal propensity to spend

32) Which of the following lead to leakages in multiplier process?

a) Increase in Marginal propensity to consume

b) Increase in Marginal propensity to save

c) Increase in government expenditure

d) Increase in private sector expenditure

33) Leakages in the multiplier is represented by -----

a) Saving

b) Export

c) Profit

d) Imports

34) Keynesian economics is -----

a) Micro economics

b) Macro economics

c) Monetary economics

d) Welfare economics

35) Effective demand =

a) $C+I$

b) $S+I$

c) $E+I$

d) $I+D$

36) The aggregate demand curve slopes -----

a) Upwards

b) Downwards

c) Vertical

d) Horizontal

37) The level of employment is determined at the point where the aggregate demand price ----- the aggregate supply price

a) Equals

b) More

c) Less

d) Constant

38) According to ----- supply creates its own demand

a) J.B.Say

b) Keynes

c) Marshal

d) Adam Smith

39) Consumption is equal to function of -----

a) Y

b) S

c) I

d) E

40) In the equation $C = a + cY$, 'a' is

a) Autonomous consumption

b) Autonomous investment

c) Autonomous saving

d) Autonomous expenditure

41) The gap between income and consumption expenditure measures

a) Saving

b) Investment

c) Import

d) Export

42) The saving function is the counterpart of -----

a) Consumption function

b) Investment function

c) Expenditure function

d) Income function

43) MPS is the counterpart of -----

a) MPC

b) MPI

c) MPE

d) MPW

44) Net investment = ----- - (minus) replacement investment

a) Gross investment

b) Higher investment

c) Lower investment

d) Constant investment

45) Real investment refers to the addition to the stock of physical -----

a) Capital

b) Saving

c) Investment

d) Money

46) ----- investment is that investment which changes with change in income

a) Induced

b) Gross

c) Net

d) Physical

47) Investment will be in equilibrium when MEC becomes ----- to the given rate of interest

- a) Equal
- b) Higher
- c) Lower
- d) Constant

48) Keynes liquidity preference theory explains why people prefer to -----

- a) Hold cash
- b) Spend
- c) Save
- d) Invest

49) According to Keynes, lower the rate of interest, higher will be the level of -----

- a) Investment
- b) Savings
- c) Consumption
- d) Expenditure

50) According to Keynes, investment multiplier and MPC are ----- related

- a) Directly
- b) Inversely
- c) More
- d) Less

51) In developing economies MPC and APC are -----

- a) High
- b) Low
- c) Constant
- d) Negative

52) In developed economies MEC ----- with business cycle changes

- a) Fluctuates
- b) Increases
- c) Decreases
- d) Remains constant

53) According to Keynes, people desire to hold money for ----- motives

- a) Two
- b) Three
- c) Four
- d) Five

54) ----- motive refers to the need to meet all unforeseen events

- a) Precautionary
- b) Speculative
- c) Transaction
- d) Liquidity

55) According to Keynes, ----- is the price paid for parting with liquidity

- a) Interest
- b) Savings
- c) Consumption
- d) Investment

56) According to Keynes, ----- is a monetary phenomenon

- a) Interest

- b) Savings
- c) Consumption
- d) Investment

57) ----- motive is the demand for money related to store of value function

- a) Speculative
- b) Precautionary
- c) Transaction
- d) Liquidity

58) There is ----- relationship between demand for money for speculative motive and rate of interest

- a) Inverse
- b) Direct
- c) Constant
- d) Disproportionate

59) The book "General theory of Employment, Interest and Money" is authored by

- a) Keynes
- b) Marshal
- c) Adam Smith
- d) Pigou

60) The effective demand depends up on -----

- a) Aggregate spending
- b) Aggregate saving
- c) Aggregate expenditure
- d) Aggregate investment

61) If the aggregate ----- is excessive, inflation results

- a) Spending
- b) Saving
- c) Expenditure
- d) Investment

62) The greater the level of effective demand, the greater is the amount of ----- in the economy

- a) Employment
- b) Income
- c) Saving
- d) Expenditure

63) Keynes theory may also be called -----

- a) A theory of aggregate output
- b) A theory of aggregate employment
- c) A theory of aggregate investment
- d) A theory of aggregate expenditure

MODULE 03 : POST KEYNESIAN DEVELOPMENTS IN MACROECONOMICS

1. Which of the following curve shows the goods market equilibrium?
 - a) LM curve
 - b) IS curve
 - c) AD demand curve
 - d) Equilibrium sum
2. On which side of the following curve there is excess supply in the goods market?
 - a) Right side of IS curve
 - b) left side of ls curve
 - c) Right side of LM curve
 - d) left side of LMcurve
3. Which of the following is the slope of IS curve?
 - a) Negative slope
 - b) positive slope
 - c) Direct slope
 - d) demand curve
4. 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) direct slope
5. 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
6. At the point where curve and LM curve IS 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
7. In which of the following case LM curve is horizontal?
 - a) classical case
 - b) Crowding out
 - c) Liquidity trap
 - d) capital good
8. Phillips curve brings out trade-off between?
 - a) Wages and employment.
 - b) inflation and unemployment
 - c) Inflation and value of money

- d) ladder curve
9. In the long -run Phillips curve is?
- a) Horizontal.
 - b) slopes upward from left to right
 - c) vertical
 - d) stagflation
10. Stagflation results in?
- a) increase in Price level unemployment
 - b) increase in supply of good and service
 - c) increase in employment
 - d) employment
11. Stagflation brings down?
- a) price
 - b) Employment.
 - c) both (a) and (b)
12. Supply side economics aims at increasing income by?
- a) reducing taxes
 - b) reducing prices
 - c) increasing government's expenditure
 - d) income
13. A tax cut according to Milton Friedman?
- a) increase price
 - b) increases budgetary deficit
 - c) increases budgetary surplus
 - d) Reducing
14. 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) reduce Price
15. Which of the following statement regarding the IS curve is not correct?
- a) it shows equilibrium in the money market
 - b) it slopes downward from left to Right
 - c) Downward shift consumption
 - d) classical range
16. Which of the following statement the LM curve is not correct?
- a) a very low interest rate it becomes vertical
 - b) it has a positive slope
 - c) It is a graphical representation of the monetary equilibrium condition.
 - d) slopes upwards

17. Monetary policy is not effective in which of the following ranges?

- a) Keynesian range
- b) classical range
- c) intermediate range
- d) employment

18. Fiscal policy is not effective in which of the following ranges?

- a) Keynesian range
- b) intermediate range
- c) classical range
- d) monetary

19. What is the shape of aggregate supply curve?

- a) A vertical curve parallel to Y axis.
- b) A horizontal curve parallel to x axis.
- c) continually rising upwards to the right
- d) Rising upwards to the right but becoming vertical at full employment

20. A Phillips curve shows that?

- a) a price increase, wages increase
- b) increase in labour costs lead to higher prices
- c) there is an inverse relationship between the rate of money wage Increase and the rate of unemployment
- d) wage increase

21. The LM curve indicates equilibrium?

- a) Money market
- b) Good Market
- c) foreign market
- d) labour market

22. In Fisher's equation, which of the following is exogenously determined?

- a) P
- b) T
- c) v
- d) M

23. Which of the following represents Fisher's equation?

- a) $MV=PT$
- b) $M=KPY$
- c) $V=M/p$
- d) $P=M/kT$

24. The inverse of price level measures?

- a) Inflation.
- b) value of money

- c) Deflation
- d) Multiplier

25. A British parliamentarian, who coined the phrase in his speech delivered in?

- a) 1965.
- b) 2000
- c) 1867
- d) 1866

26. USA again was worried about stagflation?

- a) 2008
- b) 2015
- c) 2012
- d) 2011

27. Who coined the phrase in his speech delivered in parliament in 1965?

- a) British parliamentarian
- b) president Trump's policy
- c) Stagflation
- d) Phillips curve

28. Supply side economies gained its popularity during in?

- a) 1970
- b) 1978
- c) 1986
- d) 1982

29. Have shown the integration of the real and money markets with the IS and LM curve.

- a) Hicks and Hansen
- b) Keynes
- c) Arthur ladder
- d) Robert Bundelkhand

30. Fiscal measures are recommended to increase expenditure?

- a) Keynesian economics
- b) Arthur Laffer
- c) Trumps policy
- d) British

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

- a) GDP at constant price
- b) GDP at current Price
- c) NDP at current prices
- d) GNI

32. What is the total money value of final good and services produced within the Domestic territory of the country during a given year?

- a) GDP

- b) GNI
- c) NNI
- d) NDP

33. What is the total money value of the goods and services produced by the national during a given year?

- a) GNI
- b) GDP
- c) NDP
- d) GNI/GNP

34. GNI in an open economy is equal to?

- a) $GDP + (X - M)$
- b) $GDP + (X - M) + R - P$
- c) $GDP + (R - p)$
- d) GDP

35. 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

36. The recession phase of a trade cycle begins at?

- a) Trough
- b) peak
- c) Midpoint of expansion.
- d) cumulative

37. During recession /depression public expenditure should?

- a) remain constant
- b) decrease
- c) increase
- d) upward

38. When economic variable moves together in a predictable way, it is called?

- a) Cumulative
- b) Co-movement
- c) upward movement
- d) downward

39. According to which law the supply creates its own demand?

- a) Keynes
- b) Say
- c) Pigou's
- d) Samuelson

40. Which of the following is true for an open economy?

- a) $Y=C+I$.
- b) $Y= C+ I+G$
- c) $Y= C+I+G+NX$

41. Which of the following is true for a three -sector closed economy?

- a) $Y=C+I$.
- b) $Y = C+I+G$
- c) $Y= C+I + G +NX$.
- d) $Y=C+I+G+NX +(R-P)$

42. During inflation gain?

- a) Debtors
- b) creditors
- c) poor
- d) Fixed income earners

43. During inflation,RBI Bank rate and CRR?

- a) Increases
- b) Reduces
- c) Does not change
- d) Infinity

44. Cost push inflation is also known as?

- a) wage push inflation
- b) spiral inflation
- c) supply side inflation
- d) debtors

45. Inflation targeting helps to control?

- a) Economic growth
- b) Rate of inflation
- c) Both(a) and (b)
- d) Indexation

46. Cambridge 'k' represents?

- a) velocity of circulation of money
- b) Money supply
- c) Average price
- d) A proportion of real income held as cash balances

47. First development the Cambridge version of the quantity theory of money?

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

48. The inverse of price level measures?

- a) Inflation
- b) value of money
- c) Deflation
- d) Multiplier

49. Recession starts at

- a) Where prosperity begins
- b) Where prosperity ends
- c) Where depression ends
- d) Where recovery ends

50. The main cause of prosperity is

- a) Where employment level is low
- b) Where production level is low
- c) Where resources are fully utilised
- d) Where resources are underutilised

51. 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 ratio and reserve ratio
- d) demand deposit

52. at a very low rate of interest the liquidity preference curve become

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

53. MEC curve?

- a) slopes upwards
- b) Slopes downward.
- c) remain constant
- d) does not change

54. Investment will be in equilibrium when equal to the given current rate of interest?

- a) MEC.
- b) Profit
- c) Saving
- d) Investment

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

- a) Expected rate of profit.
- b) Actual profit.
- c) expected rate of interest
- d) effect demand

56. SaysLaw of market states that?

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

57. The MPS is the counterpart of?

- a) APC
 - b) MPC.
 - c) APS
 - d) GDP
-
- a) Medium of exchange.
 - b) Measure of value
 - c) Medium of exchange and store of value
 - d) Standard of deferred payment

58. Level of investment in an economy depends upon?

- a) price level
- b) Rate of inflation
- c) MEC and Rate of interest
- d) Fiscal deficit

59. Demand for transactional motive and precautionary motive mainly depends upon?

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

60. The theory of employment multiplier was developed?

- a) R.F Khan
- b) Alfred Marshall
- c) JM Keynes
- d) Samuelson

61. In what way the multiplier is inversely to MPS?

- a) directly related
- b) reciprocal of
- c) equal to
- d) not related

62. Traditional measure of money-supply includes?

- a) demand deposit and time deposit
- b) Currency and time deposits
- c) currency and demand deposits

d) currency and supply

ANSWER KEY

MODULE- 4 MONEY, PRICES AND INFLATION

1. The term supply of money' is _____.
A) Stock Concept '
B) Stock of money
C) Flow and stock concepts
D) Stable concepts
2. Money Supply M1 includes _____.
A) $M_1 = C + DD + OD$
B) $M_1 = C + DD +$ Time Deposits with the banks.
C) $M_1 = C + DD +$ Deposits with post offices
D) $M=C+D$
3. According to liquidity preference theory rate of interest is determined by
A) Supply of money
B) Saving and investment
C) Loanable fund
D) Demand for money and supply of money
4. _____ is 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 money
D) The minimum number of times income
5. According to Fisher’s Equation of quantity theory of money _____.
A) $MV = PT$
B) $MP = PV$
C) $MT = PV$
D) $MT=MP$
6. According to cash balance equation of quantity theory of money _____.
A) $MP = kdY$
B) $Md = kPY$
C) $Mk = dPY$
D) $MD= dpk$
7. Inflation is found –
A) All over the world
B) Only in developed countries
C) Only in less developed countries
D) Only limited country
8. For a common man inflation is-
A) Rise in price
B) Fall in price

C) Rise in income

D) Fall in value of money

9. "A rise in the general level of price is definition of inflation given by-

A) Crowther

B) Coulbourn

C) Samuelson

D) J. M. Keynes

10 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

11. In hyperinflation 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

12. During Inflation gainers are-

A) Common man

B) Debtors

C) Creditors

C) Business people

13. Which of the following is a determinant of money supply

A) High power money

B) Income

C) Price

D) GDP

14. Cambridge cash balance of demand for money was given by

A) Marshal

B) Keynes

C) Robtson

D) Pigou

15.GDP Deflator is equal to-----

A). $\frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$

B). $\frac{\text{Real GDP}}{\text{Nominal GDP}} \times 100$

C). $\frac{\text{Nominal GNP}}{\text{Real GNP}} \times 100$

D). $\frac{\text{Nominal NDP}}{\text{Real NDP}} \times 100$

16. In Fisher's equation, which of the following is exogenously determined?

A) P

B) T

C) v

D) M

17. Demand for speculative motive is referred to as

A) Active cash balance

B) Idle cash balance

C) Only active

D) Income cash balance

18. Demand for transaction and precautionary motive is

A) Elastic

B) Unit elastic

C) Interest Inelastic

D) Perfectly elastic

19. Traditional measure of money supply includes:

A) Demand deposits and time deposits

B) Currency and time deposits

(C) Currency and demand deposits

D) Money with RBI

20. The main authors of broad money are

A) Marshall,

B) J.M. Keynes

C) A.C. Pigou in Gurley- Shaw, Milton Friedman, Radcliffe Committee

D) Paul Krugman, Irving Fisher, Robertson

21. High powered money includes

A) Money with public and central bank in

B) Currency with public, cash reserves of banks and other deposits with central bank

C) Deposits with commercial banks, money with government,

D) Money with the public

22 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 ratio and reserve ratio

D) Currency with government.

23. Following is an effect of Inflation

A) Fixed income group

B) Production and production

C) Creditors

D) Borrower

24. In cost-push inflation the supply curve shifts to the

A) Left

B) Right

C) Horizontally

D) Upward

25. Which of the following groups are not suffered during inflation?

A) Fixed income earners

B) Creditors

C) Farmers

D) Business firms and industry

26. During inflation

- A) Value of money increases
- B) Value of money remains constant
- C) Value of money declines
- D) Value of money declines and prices increase

27. The main authors of broad money are

- A) Marshall,
- B) J.M. Keynes,
- C) A.C. Pigou in Gurley- Shaw, Milton Friedman, Radcliffe Committee
- D) Paul Krugman, Irving Fisher, Robertson

28. Neo classical approach of demand for money was given by

- A) Dr. Marshal
- B) J.B.Say
- C) J.S.Mills
- D) Keynes

29. 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 ratio and reserve ratio
- D) Currency deposit ratio and note ratio

30. First developed the Cambridge version of the quantity theory of money

- A) Adam smith
- B) J.S. Mill
- C) Marshal
- D) David Ricardo

31. In the Cambridge cash balance approach 'k' represents

- A) Velocity of circulation of money
- B) Money supply
- C) Average price
- D) A proportion of real income held as cash balances

32. 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

33. The inverse of price level measures

- A) Inflation
- B) Value of money
- C) Deflation
- D) Multiplier

34. Which of the following represents Fisher's equation?

- A) $MV = PT$
- B) $M=KPY$
- C) $V = M/P$
- D) $P = M/KT$

35. In Fisher's equation, which of the following is exogenously determined?

- A) P
- B) T
- C) v
- D) M

36. Which of the following is issued by RBI?

- A) Coined
- B) Currency
- C) Gold
- D) High power money

36. Which of the following is most liquid measure of money supply in India?

- A) M1
- B) M2
- C) M3
- D) M4

37. Which of the following is known as broad money?

- A) M4
- B) M2
- C) M1
- D) M3

38. Which of the following banks was not nationalized in 1969?

- A). Vijaya Bank
- B). Canara Bank
- C). Bank of India
- D). Central Bank of India

39. The quantity theory of money is a theory of

- A) How the money supply is determined.
- B) How interest rates are determined.
- C) How the nominal value of aggregate income is determined.
- D) How the money value is determined.

40. The velocity of money is defined as

- A) Real GDP divided by the money supply.
- B) Nominal GDP divided by the money supply.
- C) Real GDP times the money supply.
- D) Nominal GDP times the money supply.

41. In Irving Fisher's quantity theory of money, velocity was determined by

- A) Interest rates.
- B) Real GDP.
- C) The institutions in an economy that affect individuals' transactions.
- D) The price level.

42. According to Keynes' theory of liquidity preference, velocity increases when

- A) Income increases.
- B) Wealth increases.
- C) Brokerage commissions increase.

D) Interest rates increase.

43. If money supply in a country decreases:

A) Prices will rise

B) Prices will fall

C) Rate of interest falls

D) Rate of interest increase

44. In the equation $MV = PY$, V represents:

A) Value of money

B).Velocity of circulation of money

C).Variation of nation income

D) Price of the commodities

45 According to Keynes, motives for holding money are:

A).Two

B).Three

C).Four

D).Five

46. Quantity Theory of Money explains that:

A). Value of money depends upon quantity of money

B). Rate of interest depends upon quantity of money

C). Quantity of investment depends upon quantity of money

D). Supply of money depends upon quantity of money

46. It is true to say about kinds of inflation:

A).Demand pull and cost push inflation

B).demand pull and cost push industry

C) Demand pull and income pull inflation

D) Demand pull and income push Inflation

47. Which is not the function of money?

A).Make demand and supply equal

B). Store of value

C). Medium of exchange

D).Measure of value

48. The govt. can control inflation by:

A) Increasing demand for goods

B). Increasing supply of goods

C). Increasing money supply

D). Decreasing taxes

49. Quantity of money has relation with value of money:

A).Direct

B) Indirect

C).Inverse

D).No relation

50.It implements monetary policy of the country:

A). Central bank

B).Commercial banks

C). Specialized bank

D).Finance department

51. When prices are falling continuously, the phenomenon is called:

A) Inflation

B) Stagflation

C) Deflation

D) Reflation

52. 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

53. Cause of Inflation in India is / are:

A) Deficit financing

B) Erratic agriculture growth

C) Inadequate rise in industrial production

D) Increase in money supply

54. Stagflation means:

A) Inflation with stagnation

B) Recession with stagnation

C) Inflation galloping like stage

D) Inflation & increasing output

55. When price increases due to increase in factor prices it is _____.

A) Demand pull inflation

B) Cost pull inflation

C) Stagflation

D) Deflation

56. Inflation is measured on the basis of:

A) Wholesale price index

B) Consumer price index

C) Marshall's index

D) IIP Index

57. The condition of a continually rising price level is defined as

A) Stagflation.

B) Stagnation.

C) Disinflation.

D) Inflation.

58. Refers to the total stock of money available in the economy at a point of time.

A) Demand for money

B) Supply of money

C) Price of Goods

D) Interest rate

59. Which of the following is a quantitative measure to control money supply in the country?

A) Moral Suasion

B) Margin Requirement

C) Bank Rate

D) Rationing of Credit

60. Which among the following is not the Legal Tender Money?

A) Coin

B) Paper Notes

C) Cheques

D) Account Payables/Promissory Notes

61. Which one of the following is the difference between Narrow Money & Broad Money?

A) DD

B) TD

C) Post Office Deposits

D) OD

62. _____ policy is related to money supply

A) Monetary Policy

B) Fiscal Policy

C) Trade Policy

D) Government

63. Which of the following measure used to control inflation?

A) Fiscal Measures

B) Reduction in money supply

C) Increase in exports

D) Reduction in supply of Goods and services

64. The quantity theory of money was given by

A) Keynes

B) Maoumal

C) Friedman

D) Marshal

65. Which of the following are direct measures to control inflation?

A) Increase in money supply

B) Increase in government expenditure

C) Increase in taxes.

D) Imports of goods and services