

Competitive Exams: Economics MCQs (Practice-Test 11 of 122)

1. Suppose, a fertilizer producer is located upstream and a fish farmer is located downstream of a canal. The fertilizer producer pumps waste water (containing water polluting chemicals) into the canal which results in the fish farmer's reduction in fish production for the same inputs. This scenario, optimization of output by the fertilizer producer would lead to a level of fertilizer production which is
 - a. in excess of socially optimum level of fertilizer production
 - b. equal to socially optimum level of fertilizer production.
 - c. less than socially optimum level of fertilizer production.
 - d. not comparable with the socially optimum level of fertilizer production.
2. In a society consisting of three individuals (a, B and C), which one of the following would represent a pareto-improvement in social welfare?
 - a. A's welfare increases, B's welfare increase, C's welfare decreases
 - b. A's welfare increases, B's welfare decreases, C's welfare remains the same
 - c. A's welfare increases, B's welfare remains the same, C's welfare remains the same
 - d. A's welfare increases, B's welfare remains the same, C's welfare remains the same.
3. Match List I with List II and select the correct answer:

List-I

- a. $C = 9 + 0.1Y$
- b. $0.25Y + 20i - 193 = 0$
- c. $0.06Y + 29i - 500 = 0$
- d. $I = 50 - 10i$

List-II

- a. IS relation
- b. consumption relation
- c. Investment relation
- d. LM relation

A B C D

a. 4 3 2 1

b. 4 3 1 2

c. 2 4 3 1

d. 2 4 1 3

4. For a closed economy having no foreign trade which one of the following is correct?

a. $GDP = GNP$

b. $GDP > GNP$

c. $GDP < GNP$

d. $GDP > \text{or} < GNP$

5. Excess of ex-ante saving over ex-ante investment means that

a. income will fall

b. income will rise

c. income will remain the same

d. price will rise and inventories will accumulate

6. Which of the following statements explain the difference between NNP (Net National Product) and NMP (Net Material product)?

a. NNP includes services.

b. NNP excludes services

c. NMP includes services.

d. NMP excludes services.

Select the correct answer using the codes given below?

a. 1 and 4

b. 2 and 4

c. 1 and 3

d. 2 and 3

7. which one of the following consumption functions corresponds to the income multiplier, R 4?

a. $c = 24 + 0.5 Y$

b. $C = 240 + 0.25 Y$

c. $C = 24 + 0.55 Y$

d. $C = 240 + 0.75 Y$

8. Consider the following statements:

a. Points to the left of the IS curve indicate excess supply of goods.

b. Points to the right of the LM curve indicate excess demand for money.

c. Points to the right of the IS curve indicate excess supply of money.

d. Points to the right of the IS curve indicate excess supply of good

Of these statements:

a. 2 and 4 are correct

b. 1 and 3 are correct

c. 2 and 3 are correct

d. 1, 2 and 3 are correct

9. Suppose, MPC falls the IS curve shifts to the left. Then what happens ceteris paribus?

a. the level of equilibrium becomes lower

b. The level of equilibrium becomes higher

c. There is no change in equilibrium

d. Only the rate of interest becomes lower

10. Match List I with List II and select the correct answer:

List-I

List-II

a. Life Cycle Hypothesis

a. Keynes

- | | |
|--------------------------------|-----------------------------|
| b. Permanent Income Hypothesis | b. Duesenberry |
| c. Absolute Income Hypothesis | c. Friedman |
| d. relative Income Hypothesis | d. Ando-brumberg-Modigliani |

- | | <u>A</u> | <u>B</u> | <u>C</u> | <u>D</u> |
|----|----------|----------|----------|----------|
| a. | 4 | 3 | 1 | 2 |
| b. | 4 | 3 | 2 | 1 |
| c. | 3 | 2 | 1 | 4 |
| d. | 3 | 2 | 4 | 1 |

11. The author of employment multiplier is

- a. Lord Beveridge
- b. J. M. Keynes
- c. R. F. Kahn
- d. J R Hick

12. In a two sector economy, the saving and investment functions are as follows: $S = -10 + 0.2Y$ $I = -3 + 0.1Y$ What will be the equilibrium level of income?

- a. 70
- b. 80
- c. 90
- d. 100

13. The IS-LM model has been formulated by

- a. RJ Hicks
- b. F Modiglia I
- c. PA Samuelson

d. JM Keynes

14. Which one of the following is represented by M_3 ?

- a. M_1 + post office savings bank deposits
- b. currency with the public + demand deposits with banks
- c. M_1 + time deposits with banks
- d. M_2 + post office savings bank deposits

15. The speculative demand for money is

- a. interest determining
- b. interest determined
- c. income determining
- d. income determined