

## Competitive Exams: Economics MCQs (Practice-Test 51 of 122)

1. 'The propensity to consume of an individual with respect to his disposable income and wealth depends on his age.' The statement refers to the
  - a. relative income hypothesis
  - b. permanent income hypothesis
  - c. life-cycle hypothesis
  - d. absolute income hypothesis
  
2. When income falls, what happens to the liquidity preference curve?
  - a. It does not shift
  - b. It shifts to the left
  - c. It shifts to the right
  - d. It becomes parallel to the vertical axis
  
3. project A costing Rs. 2, 000 crores has an MEC of 15 project b costing Rs. 1, 100 crores has an MEC of 7 and project C costing Rs. 1, 500 crores has an MEC of 13. What is the total equilibrium level of investment if the rate of interest is 8 percent?
  - a. Rs. 2, 000 crores
  - b. Rs. 1, 100 crores
  - c. Rs. 1, 500 crores
  - d. Rs. 3, 500 crores
  
4. How much has to be paid for a Rs. 1, 000 bond that pays Rs. 60 per year and has only one year to go before maturity, if the prevailing interest rate is 7 per cent?
  - a.  $100/1.07$
  - b.  $(1000 \times 1.07)$
  - c. 940
  - d. 1060

5. Consider the following statements:

- a. if government expenditure increases the IS curve shifts to the right
- b. If the taxes increase the IS curve shifts to the right
- c. If the price level increases the LM curve shifts to the left
- d. the more interest elastic the investment function, the more interest elastic will be the IS curve

Which of the above statement is/are correct?

- a. 2, 3 and 4
- b. 1, 3, and 4
- c. 1 and 2
- d. 2 alone

6. Consider an economy which has the following information:

- a. Reserve money = Rs. 10, 000
- b. Currency and Demand Deposits = Rs. 25, 000
- c. currency, Demand and Time Deposits = 50, 000
- d. National Income = Rs. 1, 00, 000

The income velocity of circulation of MI in this economy is

- a. 4.0
- b. 2.5
- c. 10.0
- d. 2.0

7. Stagflation refers to situation which is characterized by

- a. deflation and rising unemployment
- b. inflation and rising employment
- c. inflation and rising unemployment
- d. stagnant employment and deflation

8. Which one of the following is NOT included while estimating national income through income methods?
- Rental Income
  - Undistributed Profits
  - Mixed Income
  - Pensions
9. Bank rate refers to the
- interest rate at which Commercial Banks accept deposits from the public
  - rate at which Central Bank rediscounts bills of exchange of Commercial Banks
  - prime lending rate of commercial Banks
  - interest rate at which Commercial banks lend to the customers
10. The elasticity in respect of speculative demand for money, under the liquidity trap condition is
- zero
  - one
  - grater than one
  - infinite
11. When the intrinsic value of money and its face value are equal, it is called
- token money
  - full-bodied money
  - quasi-money
  - fiat money
12. Which one of the following is NOT an instrument of monetary policy?
- Tariffs
  - Moral suasion
  - open market operations
  - Credit rationing

13. Which one of the following according to Milton Friedman is NOT a key determinant of the demand for money?
- a. Aggregate wealth
  - b. Precautionary motive
  - c. Relative rates of return obtainable on different form of assets
  - d. Physical non-human capital goods and human capital
14. A significant decrease in the demand for loans will force banks to
- a. adjust their portfolios
  - b. sell securities to the Central Bank
  - c. resort to borrowings
  - d. raise the prime lending rate
15. Which one of the following factors affects velocity of circulation?
- a. time unit of income receipts
  - b. Frequency of transaction
  - c. Liquidity preference
  - d. all of the above