

SHETH T.J. EDUCATION SOCIETY'S
SHETH NKTT COLLEGE OF COMMERCE AND SHETH JTT COLLEGE OF
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Multiple Choice Questions of Macroeconomics (effective from 2020-21)

Module -1 - Introduction to Macro Economics and National Income

1. ____ indicate how national income is distributed
 - a. GDP
 - b. GNP
 - c. PCI
 - d. NNP

2. ____ type of economy deals with rest of the world
 - a. Closed
 - b. Open
 - c. Only Developing
 - d. Only Developed

3. ____ type of economy is in equilibrium when investment is equal to savings
 - a. Closed
 - b. Open
 - c. Developing
 - d. Developed

4. In which type of economy leakages in the form of savings and taxes arise in the circular flow of income
 - a. Two sector
 - b. Three sector
 - c. Open
 - d. One sector

5. The four-sector circular flow economy does not include ____
 - a. World economy
 - b. Financial market
 - c. Crude oil reserves
 - d. Export and import

6. ____ is the total money value of final goods and services produced with in the domestic territory of the country during a given year
 - a. GDP
 - b. GNP
 - c. NNI

- d. None of the above
7. _____ measures the real growth of the economy
- GDP at constant prices
 - GDP at current prices
 - NDP at current prices
 - GNI
8. Gross National Income in an open economy is equal to _____
- $GDP + (X - M)$
 - $GDP + (X - M) + (R - P)$
 - $GDP + (R - P)$
 - $GDP + (M - X)$
9. _____ formula is used to calculate Green GDP
- $GDP +$ Net factor income from abroad
 - $GDP + C + I + G$
 - $GDP -$ Depreciation
 - $GDP -$ Net natural capital consumption
10. Except _____ is the subject matter of macroeconomics
- National income accounting
 - Law of demand and supply
 - Business cycle
 - General price level
11. Macroeconomics is concerned with all except _____
- National income accounting
 - International trade
 - Inflation
 - Equilibrium of an individual firm
12. _____ gives us a bird's eye view of the economic world.
- Microeconomics
 - Macro-economics
 - Labour economics
 - Monetary economics
13. A closed economy is one in which _____
- There are only imports
 - There are only exports
 - There are neither exports nor imports
 - There is government expenditure and imports
14. National income is a _____ concept
- Flow

- b. Stock
 - c. Both stock and flow
 - d. None of these
15. Green accounting can play a crucial role in the ____
- a. Sustainable development
 - b. Economic development
 - c. Rural development
 - d. Urban development
16. Green gross domestic product is an index of ____
- a. Loss of biodiversity
 - b. Cost of climate change
 - c. Environmental costs of economic activities
 - d. All of the above
17. Macro -economics deals with ____
- a. Individual income
 - b. Individual output
 - c. Individual saving
 - d. General price level
18. Theory of general price level is scope of ____
- a. Microeconomics
 - b. Macro-economics
 - c. Labour economics
 - d. Monetary economics
19. ____ is a leakage from the circular flow of income and expenditure
- a. Taxes
 - b. Investment
 - c. Exports
 - d. Government expenditure
20. ____ models help to understand interdependence between different sectors of an economy like households, firm, government and external.
- a. Circular flow
 - b. Input-output
 - c. Consumer behaviour
 - d. Environmental issues
21. In circular flow model, real flow is the movement of ____
- a. Factor services and movement of goods and services
 - b. Movement of resources from other countries
 - c. Money value of the physical exchanges involved
 - d. Export of goods and services

22. In circular flow model, monetary flow represents ____
- Movement of factor services and movement of goods and services
 - Movement of resources from other countries
 - Money value of the physical exchanges involved
 - Export of goods and services
23. In a circular flow economy firms supply ____
- Labour
 - Land
 - Goods and services
 - Capital
24. The word 'macro' means ____
- Small
 - Large
 - Infinite
 - Very small
25. ____ economy deals with rest of the world
- Closed economy
 - Open economy
 - 2 sector economy
 - 3 sector economy
26. ____ is the sum of all income actually received by the people in the country
- Personal income
 - GDP
 - National income
 - Gross national income
27. National income is the flow of goods and services produced in an economy in course of ____
- A year
 - A month
 - Six months
 - Three months
28. ____ items are not included in GNP
- Buying and selling of securities, shares, bonds etc.
 - Government transfer payments
 - Private transfer payments
 - Foreign residents income earned within country
29. ____ studies the economy as a whole
- Microeconomics

- b. Macro economics
 - c. Theory of firm
 - d. Theory of households
30. GDP= _____
- a. C+I+G+M
 - b. C+I+G+(X-M)
 - c. C+I
 - d. C+G
31. GDP at factor cost= GDP at market price _____
- a. Minus indirect taxes plus subsidies
 - b. Plus indirect taxes plus subsidies
 - c. Minus indirect taxes minus subsidies
 - d. Plus indirect taxes minus subsidies
32. GDP at market price = GDP at factor cost _____
- a. Plus indirect taxes minus subsidies
 - b. Minus indirect taxes plus subsidies
 - c. Plus indirect taxes plus subsidies
 - d. Minus indirect taxes minus subsidies
33. Disposable personal income = _____ - Direct taxes
- a. Personal income
 - b. Per capita income
 - c. National income
 - d. Real income
34. _____ method of measurement of National income is also called as the product or value-added method
- a. Output method
 - b. Expenditure method
 - c. Income method
 - d. Savings method
35. _____ method of measurement of National income is also called as Outlay method.
- a. Output method
 - b. Expenditure method
 - c. Income method
 - d. Savings method

Module- 2- Consumption and Investment

1. The classical theory of employment is propounded by _____
 - a. Adam Smith
 - b. J. B. Say

- c. J.S. Mill
 - d. Bo Soderstein
2. Say's law 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
3. Full employment is a normal situation according to _____
- a. Multiplier theory
 - b. IS-LM Model
 - c. Say's Law of markets
 - d. None of these
4. According to J B Say, “ _____ creates its own demand”
- a. Supply
 - b. Consumption
 - c. Investment
 - d. Saving
5. According to which law supply creates its own demand
- a. Keynes'
 - b. Say's
 - c. Pigou's
 - d. Samuelson's
6. According to _____ wages are non-flexible downwards
- a. Keynes
 - b. Pigou
 - c. Say
 - d. Classical economists
7. In barter economy, according to say's law Aggregate demand equals _____
- a. Price
 - b. Aggregate supply
 - c. Investment
 - d. Savings
8. According to Say's Law if there is any divergence between savings and investment , the equality is maintained through the flexibility of _____
- a. prices
 - b. wages
 - c. interest rate
 - d. exchange rate

9. The point where Aggregate demand and Aggregate Supply curves intersect is called _____
- Total demand
 - Effective demand
 - Equilibrium demand
 - Non equilibrium demand
10. According to Keynes in order to increase employment we have to increase aggregate _____
- Supply
 - Output
 - Demand
 - Investment
11. _____ curve is a schedule of minimum amount of proceeds required to provide various levels of employment
- Aggregate supply
 - Aggregate demand
 - Employment
 - Total spending
12. Keynes' consumption function helps to invalidate
- Keynes' theory
 - Fisher's equation
 - Say's law
 - Employment theory
13. The MPS is the counterpart of _____
- APC
 - MPC
 - APS
 - TPS
14. According to Keynes, as income increases both MPC and APC _____
- Rise
 - Fall
 - Remain constant
 - Is zero
15. Investment will be in equilibrium when _____ becomes equal to given current rate of interest.
- MEC
 - Profit
 - Savings
 - Consumption

16. MEC curve _____
- Slopes upwards
 - Slopes downwards
 - Remain constant
 - Does not change
17. MEC refers to what type of return from an investment
- Expected rate of return
 - Actual price
 - Expected rate of interest
 - Actual interest
18. If a part of an increase in income is spent on imports the value of multiplier _____
- Will be high
 - Will be low
 - Will not change
 - Will increase
19. The value of multiplier is inversely related to _____
- MPC
 - MPS
 - APC
 - APS
20. In what way multiplier is relate to MPS
- Directly related
 - Reciprocal of
 - Not related to
 - Equal to
21. $\Delta Y = k \cdot$ _____
- ΔC
 - ΔS
 - ΔI
 - ΔR
22. If $\Delta I = 1000$, $MPS = 1/5$, $\Delta Y =$ _____
- 2000
 - 3000
 - 5000
 - 10000
23. $MPC =$ _____
- $\Delta S / \Delta Y$
 - $\Delta C / \Delta Y$
 - $\Delta Y / \Delta S$

d. $\Delta Y / \Delta C$

24. _____ is a schedule representing costs involved at each possible level of employment

- a. Aggregate demand function
- b. Aggregate supply function
- c. Both a and b
- d. Aggregate Investment

25. _____ is a schedule representing the expectation of maximum receipts of the entrepreneurs at each possible level of employment

- a. Aggregate demand function
- b. Aggregate supply function
- c. Effective demand
- d. Aggregate Consumption

26. According to Keynes, the level of employment is determined by the level of _____

- a. Market demand
- b. Market supply
- c. Effective demand
- d. Investment

27. After reaching full employment, the aggregate supply curve becomes _____

- a. Horizontal straight line
- b. Vertical straight line
- c. Upward sloping
- d. Downward sloping

28. According to Keynes in order to increase employment we have to increase aggregate _____

- a. supply
- b. Demand
- c. Output
- d. Investment

29. MPC is always _____

- a. Positive but less than one
- b. Positive but greater than one
- c. Equal to one
- d. None of these

30. When income increases consumption will increase in a _____ proportion.

- a. Greater
- b. Lesser
- c. Constant
- d. Zero

31. Investment will be in equilibrium when ____ becomes equal to the given current rate of interest
- Marginal efficiency of capital
 - Profits
 - Savings
 - None of these
32. Marginal efficiency of capital refers to the ____ of a capital asset.
- Expected rate of interest
 - Expected rate of profit
 - Both a and b
 - None of these
33. Investment Multiplier is ____ MPS
- Directly related to
 - A reciprocal of
 - Not related to
 - Equal to
34. Higher the value of ____, higher will be the value of Multiplier.
- Average propensity to consume
 - Marginal propensity to consume
 - Average propensity to save
 - Marginal propensity to save
35. Investment will be in equilibrium when ____ becomes equal to given current rate of interest.
- MEC
 - Profit
 - Savings
 - None of the above
36. MEC refers to what type of return from an investment
- Expected rate of return
 - Actual profit
 - Expected rate of interest
 - None of the above
37. MPC is always ____
- Positive but less than one
 - Positive but greater than one
 - Equal to one
 - None of these
38. When income increases consumption will increase in a ____ proportion.
- Greater

- b. Lesser
 - c. Constant
 - d. None of these
39. Investment will be in equilibrium when ____ becomes equal to the given current rate of interest
- a. Marginal efficiency of capital
 - b. Profits
 - c. Savings
 - d. None of these
40. Marginal propensity to save is the counterpart of ____
- a. MPC
 - b. APC
 - c. APS
 - d. All of these
41. When income is equal to consumption, savings will be ____
- a. Positive
 - b. Negative
 - c. Zero
 - d. Infinity
42. MEC is influenced by ____
- a. supply price
 - b. Prospective yield
 - c. Prospective yield and supply price
 - d. Exchange rate
43. When $MEC > 1$, the effect will be ____
- a. Neutral
 - b. Favourable
 - c. Unfavourable
 - d. None of the above
44. MEC refers to ____
- a. Consumption
 - b. Savings
 - c. Expected rate of profit
 - d. Expected rate of interest
45. Investment will be in equilibrium when ____ become equal to the given current rate of interest.
- a. Marginal efficiency of capital
 - b. Profits
 - c. Savings

- d. None of the above

Module- 3- Supply of Money and Demand for Money

1. Traditional measure of money supply includes ____
 - a. Demand deposits and time deposits
 - b. Currency and time deposits
 - c. Currency and demand deposits
 - d. None of these

2. The main authors of broad money are
 - a. Marshall, J M Keynes, A C Pigou
 - b. Gurley-shaw, Milton Friedman, Radcliff committee
 - c. Paul Krugman, Irving fisher, Robertson
 - d. Adam Smith and David Ricardo

3. The value of money multiplier is determined by
 - a. Currency deposit ratio and time deposits
 - b. Currency deposit ratio and coins and notes
 - c. Currency deposit ratio and reserve ratio
 - d. Deposit currency ratio and time deposits

4. The Radcliff committee suggested that money supply should include
 - a. Liabilities of NBFIs
 - b. Time deposits
 - c. Funds lent by financial institutions
 - d. None of these

5. The broader measure of money supply adopted by the RBI is referred to as
 - a. Aggregate monetary resources
 - b. Aggregate monetary measurements
 - c. Aggregate money supply
 - d. Aggregate monetary ratios

6. The aggregate number of times a unit of money is used for making payments for final goods and services is known as
 - a. Transaction velocity
 - b. Monetary velocity
 - c. Income velocity
 - d. Growth velocity

7. The money multiplier is measured as
 - a. $mm = 1+r/1+k$
 - b. $mm = 1+r/r+k$
 - c. $mm = 1+k/1+r$
 - d. $mm = 1+k/r+k$

8. Which of the following is not true of excess reserves held by commercial banks
- Banks statutorily hold them
 - They are determined by clearing drain and currency drain
 - They are voluntarily held by banks
 - They influence the money multiplier
9. Transactions demand for money is explained by
- Neo-classical economists
 - Classical economists
 - Post-Keynesian economists
 - None of the above
10. Transaction motive is further sub-divided into
- Speculative and precautionary
 - Profit and business
 - Income and business
 - None of the above
11. Demand for speculative motive is referred to as demand for
- Active cash balance
 - Idle cash balance
 - Both active and idle cash balance
 - None of these
12. Demand for transaction and precautionary motive is interest
- Elastic
 - Inelastic
 - Unit elastic
 - None of these
13. According to Friedman, households demand money to have command over
- Property
 - Real goods and services
 - Future interest income
 - None of these
14. Which of the following is not true of liquidity trap
- It is a condition that takes place at a very low rate of interest
 - An increase in money supply would not affect the rate of interest
 - It represents perfectly elastic demand for liquidity
 - People prefer bonds instead of cash
15. The inverse relationship between the rate of interest and bond prices is due to
- High opportunity cost of holding money
 - Constant money supply

- c. Inflation
- d. All of these

16. Which of the following represents Fisher's equation

- a. $MV=PT$
- b. $M= kPY$
- c. $V=M/P$
- d. $P=M/kT$

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

- a. P
- b. T
- c. V
- d. M

18. ____ first developed the Cambridge version of the quantity theory of money

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

19. 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

20. 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

21. Transaction motive of liquidity preference is

- a. Interest elastic
- b. Income inelastic
- c. Interest inelastic
- d. None of these

22. Precautionary demand for liquidity is determined by

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

23. At a very low rate of interest liquidity preference curve becomes
- Perfectly inelastic
 - Perfectly elastic
 - Relatively inelastic
 - Relatively inelastic
24. The quantity of money supply is determined by
- Demand and supply of money
 - Capital market
 - Money market
 - Monetary authority
25. Which of the following is not true of excess reserves held by commercial banks
- Banks statutorily hold them
 - They are determined by clearing drain and currency drain
 - They are voluntarily held by banks
 - They influence the money multiplier
26. Which of the following represents Fisher's equation
- $MV=PT$
 - $M= kPY$
 - $V=M/P$
 - $P=M/kT$
27. When money supply is viewed at a point of time, it is a
- Stock of money
 - Flow concept
 - Liquid concept
 - None of the above
28. When money supply is viewed over a period of time, it is a
- Stock of money
 - Flow concept
 - Liquid concept
 - Solid concept
29. The Cash Reserve Ratio is determined by
- Commercial banks
 - The IMF
 - The central bank of a country
 - The WTO
30. Money supply will increase when there is _____
- Increase in CRR and SLR
 - Decrease in CRR and SLR

- c. A surplus budget
 - d. A rise in public debt
31. The transactions demand for money is ____
- a. Interest – elastic
 - b. Income- elastic
 - c. Income-inelastic
 - d. None of the above
32. ____ is an important factor determining the precautionary demand for money.
- a. The uncertainty about future
 - b. The uncertainty about present
 - c. The certainty about future
 - d. The uncertainty about past
33. Speculative demand for money is said to be
- a. Interest – elastic
 - b. Income- elastic
 - c. Interest-inelastic
 - d. Income determined
34. According to Friedman, when people expect a higher rate of inflation, their demand for money holdings will ____
- a. Reduce
 - b. Increase
 - c. Remains constant
 - d. Multiply
35. According to Keynes, $L_1 = f(\text{____})$
- a. Income
 - b. Interest rate
 - c. Price level
 - d. Money supply

Module- 4- Banking

1. Accepting deposit is _____ function of commercial banks.
- a. Primary
 - b. Secondary
 - c. General utility
 - d. Agency
2. To collect and clear cheques is a _____ function of commercial banks.
- a. Primary
 - b. Secondary
 - c. General utility

- d. Agency
3. To provide safety locker facility is a _____function of commercial banks.
- Primary
 - Secondary
 - General utility
 - Agency
4. How many commercial banks were nationalized by Government on 19th July 1969?
- 11
 - 13
 - 14
 - 15
5. Following were the progress of commercial banks in India after 1990 except
- Branch expansion
 - Increased lending
 - Overseas expansion of banks
 - Decline in profitability rate
6. Liabilities and assets are two components of bank's_____.
- Balance Sheet
 - Profit and loss statement
 - Budget sheet
 - Loan statement
7. Share capital is _____ of a bank.
- Asset
 - Liability
 - Benefit
 - Non-performing assets
8. Loans and advances approved by the bank constitute its _____.
- Asset
 - Liability
 - Benefit
 - Non-performing assets
9. Balance sheet of commercial bank consists of its _____.
- Profit and loss
 - Export and import
 - Assets and liabilities
 - Input and output
10. Ratio of total deposits that a commercial bank has to keep with RBI
- CRR
 - SLR
 - LRR
 - Deposit ratio

11. Commercial banks do not give loan against
- Gold ornaments
 - LIC policy
 - NSC
 - Lottery ticket
12. Commercial bank does not provide loans for
- Education loans
 - Housing loans
 - Crop loans
 - Drinking and Gambling
13. ____ type of deposits earns very low or no interest rates.
- Current account
 - Savings account
 - Fixed deposits
 - Recurring deposits
14. _____ deposit earns highest rate of interest.
- Current account
 - Savings account
 - Fixed deposits
 - Recurring deposits
15. _____ is the primary function of commercial banks.
- To purchase and sell securities
 - Credit creation
 - To act as a trustee
 - To issue traveler's cheque
16. An asset is liquid when it is ____
- Being traded frequently
 - Earning a good rate of return
 - Money or can be easily converted into money
 - Investment of any type
17. The following is not a bank liability
- Demand deposit
 - Saving deposit
 - Time deposit
 - Loans
18. Credit money is created by
- Central bank
 - Commercial bank
 - Governments
 - Exchange banks

19. Most important source of income of commercial bank is
- Interest charged on loans
 - Profit earned on investment
 - Income from collecting utility bills
 - Income from reserves at central bank
20. If you borrow from bank the amount that is charged by bank is known as
- Interest rate
 - Bank rate
 - Borrowing rate
 - Discount rate
21. Functions of commercial banks are
- Issue of currency, create deposit money and provide loans
 - Accept deposit, create deposit money and provide loans
 - Accept deposits, provide loans, export goods
 - Accept deposit, provide loans and control foreign exchange market
22. Find out the odd one out of the following
- State bank of India
 - Reserve bank of India
 - Union Bank of India
 - Central bank of India
23. E – banking is synonymous with
- Tele- banking
 - Internet banking
 - Euro banking
 - Fund banking
24. Except ____ are the functions of commercial banks
- Mobilisation of savings
 - Giving loans and advances
 - Issue of currency notes
 - Financing priority sectors
25. The creation of ____ is called as credit creation.
- Time deposits
 - Primary deposits
 - Secondary deposits
 - Exchange rates
26. ____ is not concerned with the banking organisation.
- CRR
 - Bank rate
 - Fiscal deficit
 - Credit creation

27. In India, RBI Act was passed in _____.
- 1932
 - 1934
 - 1948
 - 1950
28. In India, RBI started functioning since _____.
- 1st April 1935
 - 3rd March 1936
 - 15th May 1940
 - 30th August 1945
29. RBI has its head office in _____.
- Delhi
 - Chennai
 - Mumbai
 - Calcutta
30. Issue of currency notes is a _____ function of central bank.
- Traditional
 - Modern
 - Developmental
 - supervisory
31. Who is responsible for the supply of coins in the India?
- Reserve bank Of India
 - Ministry of finance
 - Ministry of commerce and industry
 - Banker's association of India
32. Currency notes are issued by whom in India?
- SBI
 - RBI
 - NABARD
 - UTI
33. Who is the 'lender of the Last resort' in the Banking structure of India?
- State Bank of India
 - Reserve Bank of India
 - Union Bank of India
 - EXIM Bank of India
34. Which among from the following is the function of RBI
- Issuing letter of credit to customers to certify credibility
 - Accepting deposits from public

- c. Underwriting securities issued by public or private organisation
- d. Collecting and compilation of statistical information related to banking and financial sectors

35. Acting as a lender of last resort, a central bank lends to

- a. Money markets
- b. Stock exchanges
- c. Commercial banks
- d. Does not lend at all

36. Which among the following is a function of the Reserve Bank of India?

- a. Bank issues the letters of credit to their customers certifying their creditability
- b. Collecting and compilation of statistical information relating to banking & other financial sectors
- c. Banks under write the securities issued by public or private organizations
- d. Accepting deposits from the public

37. Bank inspection is _____function of the RBI.

- a. Traditional
- b. Supervisory
- c. Developmental
- d. Primary

38. Development of agriculture and industry is the _____ function of RBI.

- a. Traditional
- b. Supervisory
- c. Developmental
- d. Primary
