<u>**Objective questions**</u>

Module I- Introduction to Macroeconomics and National Income

Q1. Select the correct answers from the alternatives provided and rewrite the statement.

1. The following is not a subject matter of macroeconomics:
   [a] National income accounting   [b] **Law of demand and supply**
   [c] Business cycle   [d] General price level

2. Which branch of macroeconomics specially focuses on the problems of developing economies?
   [a] Development economics   [b] **Public Finance**
   [c] Monetary Economics   [d] Trade Cycle Theory

3. Which of the following measurements indicate how national income is distributed?
   [a] GDP   [b] GNP
   [c] **Per Capita Income**   [d] NNP

4. Which of the following is not one of limitations of macroeconomics?
   [a] **Unable to study aggregate measurements pertaining to an economy**
   [b] Models and theories are abstract and mathematical
   [c] Does not account for micro-level differences
   [d] prescribes policies that are too general to solve specific problems

5. Which of the following type of economy deals with the rest of the world?
   [a] Closed   [b] **Open**
   [c] Only developed   [d] Only developing

6. Which of the following economy is in equilibrium when investment is equal to saving?
   [a] **Closed**   [b] Open

[c] Developing   [d] Developed

7. In which of the economy the leakages in the form of saving and taxes arise in the circular flow of income?
[a] Two-sector   [b] **Three-sector**   [c] Open   [d] One-sector

8. In a circular flow economy, firms supply
[a] Labour   [b] **Goods and services**   [c] Land

9. In a three sector, we do not include income expenditure of
[a] Government   [b] **External sector**   [c] Household

10. The four-sector circular flow economy does not include
[a] World economy
[b] Financial market
[c] **Crude oil reserves in oil wells**

11. What is the total money value of final goods and services produced within the domestic territory of the country during a given year?
[a] **GDP**   [b] GNI   [c] NNI   [d] None of the above

12. What is the total money value of the goods and services produced by the nationals during a given year?
[a] **GNI**   [b] GDP   [c] NDP   [d] None of the above

13. Which of the following measures the real growth of the economy?
[a] **GDP at constant prices**   [b] GDP at current prices
[c] NDP at current prices   [d] GNI

14. Which of the following is the sum of all income actually received by the people in the country?
[a] **Personal income**   [b] National income
[c] GDP   [d] GNI

15. GNI in an open economy is equal to
[a] GDP+ [X-M]   [b] **GDP + [X-M] +R-P**   [c] GDP + [R-P]

16. The difficulties in the measurement of NI
[a] Prevalence of Non-Monetized Transactions   [b] Difficulty of Avoiding the Double Counting System **[c] Both of these**

Q.2 State whether the following statements are true or false:

1. The circular flow of income explains the process that determines national income and national output simultaneously.

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2. In a two-sector economy without savings, income will be equal to payments for goods and services.
3. In a two-sector economy with savings and investment, saving which is a leakage, gets injected back into the economy in the form of investment.
4. In a three-sector economy, leakages in the form of savings and taxes do not get injected back into the economy.
5. Under circular flow economy households supply factor service.
6. Under circular flow in a closed economy, there is inflow of foreign capital.
7. In the calculation of national income, no allowance should be made for depreciation.
8. There is no difference between GNI and GDP in the open economy.
9. There is no difference between NNI at factor cost and at market price.
10. National income estimates include value of intermediate goods and also of final good.
11. GDP includes income earned by nationals outside the country.
12. Personal income includes transfer payments.
13. National income data can be used to measure changes in price level.
14. Product method, income method and expenditure method are used to measure National Income

ANSWERS:
   1. **TRUE**
   2. **TRUE**
   3. **TRUE**
   4. **FALSE**
   5. **TRUE**
   6. **FALSE**
   7. **FALSE**
   8. **FALSE**
   9. **TRUE**
   10. **FALSE**
   11. **FALSE**
   12. **TRUE**
   13. **TRUE**
   14. **TRUE**

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