

**SHETH T.J. EDUCATION SOCIETY'S**  
**SHETH NKTTC COLLEGE OF COMMERCE AND SHETH JTT COLLEGE OF ARTS,**  
**THANE**

**S. Y. B. A. – Semester -IV- Macroeconomics II (based on 2020-21 syllabus)**

**Multiple Choice Questions**

**Module 1 - Inflation**

1. Phillips curve brings out trade- off between\_\_\_\_
  - a. wage and employment
  - b. inflation and unemployment
  - c. inflation and value of money
  - d. none of these
  
2. In the long run Phillips curve is
  - a. Horizontal
  - b. Slopes upwards to the right
  - c. Vertical
  - d. Slopes downwards
  
3. Stagflation results in \_\_\_\_
  - a. increase in price level
  - b. increase in supply of goods and services
  - c. increase in employment
  - d. none of these
  
4. stagflation brings down \_\_\_\_
  - a. prices
  - b. employment
  - c. both prices and employment
  - d. none of these
  
5. A tax cut according to Milton Friedman
  - a. Decreases prices
  - b. increases budgetary deficit
  - c. increases budgetary surplus
  - d. none of these
  
6. \_\_\_\_ are causes of stagflation
  - a. Supply shock
  - b. Cost push

- c. Both supply shock and cost push  
d. Fall in cost
7. The natural rate of unemployment is termed as the \_\_\_\_  
a. Non-accelerating inflation rate of unemployment  
b. Non-accelerating inflation rate of poverty  
c. Accelerating rate of unemployment  
d. All of these
8. In the long run, the Phillips curve is \_\_\_\_ line  
a. Vertical straight  
b. Horizontal straight  
c. Both a and b  
d. None of these
9. \_\_\_\_ explains the relationship between unemployment rate and inflation rate.  
a. Engel curve  
b. Offer curve  
c. Phillips curve  
d. Demand curve
10. Stagflation occur when an economy experience \_\_\_\_  
a. High inflation  
b. High unemployment  
c. Low economic growth  
d. All of the above
11. When the rate of inflation has no effect on rate of unemployment, then the rate of unemployment is called \_\_\_\_  
a. Increasing rate of unemployment  
b. Natural rate of unemployment  
c. Decreasing rate of unemployment  
d. Constant rate of unemployment
12. \_\_\_\_ presented an empirical theory of inflation known as 'Phillips Curve'  
a. J M Keynes  
b. David Ricardo  
c. Adam Smith  
d. A W Phillips
13. During Stagflation, an economy experience \_\_\_\_  
a. High inflation only  
b. Low growth only  
c. high inflation and Low growth  
d. high growth rate

14. The demand side factors of stagflation shift the aggregate demand curve to the \_\_\_\_
- Left
  - Backward
  - Right
  - Same point
15. In \_\_\_\_ phase economy registers an upward trend in output, income and employment
- Recovery
  - Depression
  - Recession
  - Prosperity
16. In \_\_\_\_ phase there is considerable fall in production, employment, income and investment
- Recovery
  - Depression
  - Recession
  - Prosperity
17. In \_\_\_\_ phase output, employment, income etc begin to decline
- Recovery
  - Depression
  - Recession
  - Prosperity
18. The recession phase of a trade cycle begins at \_\_\_\_
- Through
  - Peak
  - Midpoint of expansion
  - Midpoint of contraction
19. Through is \_\_\_\_
- The lowest point of a business cycle
  - The highest point of a business cycle
  - The average point of a business cycle
  - The middle point of a business cycle
20. Recovery phase refers to the \_\_\_\_ turning point
- Upper
  - Lower
  - middle
  - horizontal
21. Inflation is beneficial to \_\_\_\_
- Fixed income group
  - Business people

- c. Creditors
  - d. None of these
22. In cost – push inflation the supply curve shifts to the
- a. Left
  - b. Right
  - c. Horizontally upward
  - d. Horizontally downward
23. During inflation
- a. Value of money increases
  - b. Value of money remains constant
  - c. Value of money declines
  - d. None of these
24. Government’s budgetary policy during inflation should aim at
- a. Increasing expenditure
  - b. Decreasing expenditure
  - c. Increase in investment
  - d. Lowering taxes
25. Inflation targeting helps to control
- a. Economic growth
  - b. Rate of interest
  - c. Both a and b
  - d. None of these
26. Inflation is experienced during \_\_\_\_ phase of a trade cycle
- a. Recovery
  - b. Prosperity
  - c. Recession
  - d. Depression
27. During hyper inflation price rises by about \_\_\_\_ percent per annum
- a. less than 10
  - b. 10-20
  - c. 100-200
  - d. 1000
28. \_\_\_\_ is the cause of demand pull inflation
- a. rise in population
  - b. rise in wages
  - c. rise in material cost
  - d. rise in profits
29. cost push inflation takes place due to \_\_\_\_

- a. rise in population
  - b. rise in wages
  - c. deficit financing
  - d. repayment of public debt
30. during Demand pull inflation , Demand curve shifts to \_\_\_\_
- a. Left
  - b. Right
  - c. Horizontal
  - d. Vertical
31. At \_\_\_\_ supply curve becomes vertical straight line , in case of cost push inflation
- a. Unemployment
  - b. Full employment
  - c. Both a and b
  - d. None of the above
32. Cost push inflation leads to shift of \_\_\_\_
- a. Demand curve
  - b. Supply curve
  - c. Employment curve
  - d. Inflation curve
33. \_\_\_\_ is a term to describe rapid, excessive, and out-of-control general price increases in an economy.
- a. Hyper inflation
  - b. Running inflation
  - c. Creeping inflation
  - d. Walking inflation
34. The inverse of price level measures
- a. Inflation
  - b. Deflation
  - c. Value of money
  - d. Multiplier
35. During inflation
- a. Value of money increases
  - b. Value of money declines
  - c. Value of money remains constant
  - d. None of the above
36. Effect of Inflation on fixed income group is
- a. Positive
  - b. Negative
  - c. Neutral

- d. Zero
37. In developing economy Demand pull factor responsible for inflation is
- backwardness of agricultural sector
  - supply shocks
  - inefficient administration
  - increase in population
38. In developing economy cost push factor responsible for inflation is
- Increase in population
  - Gestation period
  - Foreign aid
  - Increase in wages
39. Bank rate is \_\_\_\_ measure to control inflation
- Monetary
  - Fiscal
  - Direct
  - None of these
40. Public expenditure is \_\_\_\_ measure to control inflation
- Monetary
  - Fiscal
  - Direct
  - None of these
41. Public Distribution System is \_\_\_\_ measure to control inflation
- Monetary
  - Fiscal
  - Direct
  - None of these
42. Effect of inflation on real income is \_\_\_\_
- Positive
  - Negative
  - Neutral
  - Zero

## **Module 2 – Economic Policy**

1. Fiscal policy is the policy relating to \_\_\_\_\_.
- Taxation
  - Public debt
  - Government expenditure
  - All of these

2. Fiscal policy is also called as a \_\_\_\_\_ policy.
  - a. Budgetary
  - b. Monetary
  - c. both a and b
  - d. None of these
3. Which of the following is/are objectives of fiscal policy?
  - a. Economic growth and development
  - b. Efficient allocation of resources
  - c. Both a) and b)
  - d. None of these
4. During inflation, the government adopt \_\_\_\_\_ fiscal policy.
  - a. Expansionary
  - b. Contractionary
  - c. stagnant
  - d. growing
5. During deflation, the government adopt \_\_\_\_\_ fiscal policy.
  - a. Expansionary
  - b. Contractionary
  - c. Both of these
  - d. None of these
6. Principle of sound finance refers to \_\_\_\_\_.
  - a. Minimum government spending
  - b. Maximum government spending
  - c. Revenue expenditure balanced at the minimum level
  - d. Balance between tax and spending
7. The origin of the term functional finance is attributed to \_\_\_\_\_.
  - a. J. M. Keynes
  - b. A. C. Pigou
  - c. A.P. Lerner
  - d. Richard Musgrave
8. Which of the following statements applies to the principle of functional finance?
  - a. Budget deficits are uneconomical at all times and should be avoided
  - b. Social objectives should be the primary focus of fiscal policy
  - c. Government spending should be restricted to the traditional functions
  - d. Every public expenditure is inflationary
9. What is the appropriate budget policy during recession?
  - a. Balanced budget
  - b. Neutral budget

- c. Surplus budget
  - d. Deficit budget
10. The Neo-Keynesian approach to public finance is called \_\_\_\_\_.
- a. Sound finance
  - b. Functional finance
  - c. Global finance
  - d. Federal finance
11. Budget is an instrument of \_\_\_\_\_.
- a. Monetary policy
  - b. Fiscal policy
  - c. Trade policy
  - d. None of these
12. Increase in tax will \_\_\_\_\_
- a. Divert the investment
  - b. Reduce the investment to zero
  - c. Increase the investment
  - d. None of these
13. Tax on rich and luxury goods will \_\_\_\_\_
- a. Increase the investment
  - b. Check inflation
  - c. Check deflation
  - d. Will have no economic impact
14. The objective of taxation by the government is \_\_\_\_\_
- a. Raising revenue for the state
  - b. To maintain economic stability
  - c. To remove disparities in the distribution of income
  - d. All of the above
15. Public expenditure on education and health will have a \_\_\_\_\_ effect on people's ability to work.
- a. Negative
  - b. Neutral
  - c. Positive
  - d. Stagnating
16. During recession, \_\_\_\_\_.
- a. Public expenditure should be increased
  - b. Public expenditure should be reduced

- c. Taxation should be increased
- d. Public debts should be incurred

17. Which of the following is the object of public debt?

- a. War finance
- b. Curbing of inflation
- c. Development Finance
- d. All of the above

18. Which of these is not a monetary policy tool?

- a. Discount Rate
- b. Open Market Operations
- c. Balance Accounts
- d. Reserve Requirements

19. The goals of monetary policy do not include the promotion of \_\_\_\_\_

- a. Maximum employment
- b. Low Taxes
- c. Stable Prices
- d. Moderate long-term interest rates

20. Monetary policy refers to what the RBI does to influence the amount of \_\_\_\_\_ in the Indian economy.

- a. Currency and gold reserves
- b. Money and credit
- c. Taxes and revenue
- d. Interest and debt

21. Monetary Policy is a regulatory policy by which the \_\_\_\_\_ or monetary authority of a country controls the supply of money, availability of bank credit and cost of money that is the rate of interest

- a. Central Bank (RBI)
- b. SBI
- c. IBA
- d. none of the above

22. An open market operation is an instrument of monetary policy which involves buying or selling of \_\_\_\_\_ from or to the public and banks

- a. Debentures and shares
- b. Government securities
- c. Bonds and other local securities

- d. None of these
23. The RBI is empowered to vary the CRR between
- 2 % and 16%
  - 3 % and 15%
  - 5 % and 25%
  - None of the above
24. Monetary policy in developing economy
- Influences the supply and uses of credit
  - Control inflation
  - Maintain Balance of payment equilibrium
  - All of these
25. Fiscal policy in developing country can influence \_\_\_\_
- Economic growth
  - Employment
  - Balance of payments
  - All of these

### **Module 3 – Post Keynesian Economics**

1. \_\_\_\_ curve shows the goods market equilibrium
- IS curve
  - AD curve
  - LM curve
  - AS curve
2. On which side of the following curve is excess supply in the goods market
- Right side of IS Curve
  - Left side of IS Curve
  - Right side of LM Curve
  - Left side of IS Curve
3. \_\_\_\_ of the following is the slope of the IS curve
- Positive
  - Negative
  - Direct
  - None of the above
4. \_\_\_\_ will shift IS curve to the left
- increase in government expenditure
  - Decrease in government expenditure
  - increase in autonomous spending
  - none of these

5. LM curve will shift to the right due to \_\_\_\_
  - a. increase in money supply
  - b. decrease in money supply
  - c. increase in rate of interest
  - d. decrease in government expenditure
  
6. When IS and LM curve intersect \_\_\_\_ markets are in equilibrium
  - a. goods and capital
  - b. money and goods
  - c. money and foreign exchange
  - d. capital and foreign exchange
  
7. In \_\_\_\_ case LM curve is horizontal
  - a. Classical case
  - b. Crowding out case
  - c. Liquidity trap
  - d. None of the above
  
8. The IS curve shows the combinations of output and the real interest rate for which \_\_\_\_
  - a. The goods market is in equilibrium
  - b. The labour market is in equilibrium
  - c. The foreign exchange market is in equilibrium
  - d. The financial asset market is in equilibrium
  
9. The LM curve will shift down when the \_\_\_\_
  - a. Nominal money supply declines
  - b. Price level rises
  - c. Expected inflation declines
  - d. Real money demand declines
  
10. Which of the following will cause the IS curve to shift to the left
  - a. Increase in government expenditure
  - b. Decrease in government expenditure
  - c. Increase in money supply
  - d. None of these
  
11. LM curve will shift to the left due to \_\_\_\_
  - a. increase in money supply
  - b. decrease in money supply
  - c. increase in rate of taxes
  - d. decrease in government expenditure
  
12. The LM curve represents the equilibrium in the \_\_\_\_
  - a. Goods market
  - b. Money market

- c. Labour market
- d. foreign market

13. Monetary policy operates through shifts in

- a. Demand curve
- b. Supply curve
- c. IS curve
- d. LM curve

14. \_\_\_\_ of the following is the slope of the IS curve

- a. Positive
- b. Negative
- c. Direct
- d. Horizontal

15. \_\_\_\_ will shift IS curve to the left

- a. increase in government expenditure
- b. Decrease in government expenditure
- c. increase in autonomous spending
- d. decrease in taxes

16. The IS curve shows the combinations of output and the real interest rate for which \_\_\_\_

- a. The goods market is in equilibrium
- b. The labour market is in equilibrium
- c. The exchange rate market is in equilibrium
- d. The financial asset market is in equilibrium

17. The IS curve represents \_\_\_\_

- a. The money market equilibrium
- b. The goods market equilibrium
- c. The labour market equilibrium
- d. All of these

18. The IS curve is a \_\_\_\_

- a. Upward sloping curve
- b. Parallel to Y axis
- c. Downward sloping curve
- d. Parallel to X axis

19. IS-LM Model is a \_\_\_\_

- a. Micro economic tool
- b. Macroeconomic tool
- c. Noneconomic tool
- d. None of the above

## Module 4 – External Sector

1. In balance of payment account, all goods exported & imported are recorded in \_\_\_\_\_.
  - a. Capital Account
  - b. Invisible Account
  - c. Trade Account
  - d. Fixed Account
2. Gifts & grants account are also known as \_\_\_\_\_.
  - a. Export
  - b. Import
  - c. Unilateral Transfer
  - d. Long term borrowing
3. In BOP, total receipts must be equal to total \_\_\_\_\_.
  - a. Payment
  - b. Income
  - c. Deficit
  - d. All of these
4. Reducing the value of domestic currency in term of foreign is called \_\_\_\_\_.
  - a. Deflation
  - b. Tariff
  - c. Exchange Control
  - d. Devaluation
5. Non-monetary measures to correct disequilibrium in balance of payment include following measures except \_\_\_\_\_.
  - a. Tariff & quotas
  - b. Export promotion
  - c. Import substitution
  - d. Deflation
6. The current account in the balance of payments \_\_\_\_\_.
  - a. is a total of all the visible items of trade
  - b. includes merchandise trade & services
  - c. always shows a surplus
  - d. includes autonomous accommodating flows
7. Reducing public expenditure to correct BOP disequilibrium is a \_\_\_\_\_ measure.
  - a. Monetary
  - b. Fiscal
  - c. Special

- d. Non - monetary
8. Following are causes of deficit in balance of payments except \_\_\_\_\_.
- Increase in import
  - Fall in exports
  - Capital outflow
  - Capital inflow
9. Devaluation of a currency is brought about by the \_\_\_\_\_.
- World Bank
  - Asian Development Bank
  - International Finance Corporation
  - Government
10. When total exports are more than total imports the current account balance is in \_\_\_\_\_.
- Deficit
  - Balance
  - Surplus
  - Both Deficit & Surplus
11. \_\_\_\_\_ disequilibrium is chronic in nature.
- Cyclical
  - Fundamental
  - Structural
  - Monetary
12. \_\_\_\_\_ term long run disequilibrium as fundamental disequilibrium.
- IMF
  - United Nations
  - WTO
  - SAARC
13. Foreign Direct Investment is included in \_\_\_\_\_.
- Trade account
  - Current account
  - Capital account
  - Fixed account
14. When autonomous receipts are more than autonomous payments which of the following is in surplus?
- Current account balance
  - Balance of Payments
  - Capital account balance

- d. Foreign exchange reserves
15. Devaluation results in\_\_\_\_\_.
- Cheaper exports
  - Cheaper imports
  - Immediate increase in domestic prices
  - Fall in exports
16. Which of the following is not included in the wholesale foreign exchange market?
- Central Bank
  - Authorized Dealers
  - Commercial Banks
  - Tourists
17. \_\_\_\_\_ is the current exchange rate between two countries.
- Spot exchange rate
  - Forward exchange rate
  - Arbitrage
  - Speculation
18. \_\_\_\_\_ is the exchange rate quoted for future delivery of currencies exchange.
- Arbitrage
  - Spot exchange rate
  - Forward exchange rate
  - Hedge
19. The relationship between supply of foreign exchange & rate of foreign exchange is\_\_\_\_\_.
- Direct
  - Inverse
  - Negative
  - None of these
20. Which of the following will increase the supply of foreign exchange in country?
- A reduction in export
  - Rise in imports of goods
  - A rise in unilateral payments

- d. A rise in receipts of capital
21. When the demand for foreign exchange rises, with no change in its supply, then
- The domestic currency will depreciate against the foreign currency
  - The domestic currency will appreciate against the foreign currency
  - The foreign will depreciate against the domestic currency
  - The exchange rate will remain constant
22. \_\_\_\_\_ is the rate at which the currency of a country is exchanged against the currency of another country.
- Exchange Rate
  - Interest rate
  - Nominal Rate
  - Real Rate
23. Under \_\_\_\_\_ exchange rate system, exchange rate was fixed in terms of gold contents of member country's currency.
- Flexible
  - Fixed
  - Fluctuating
  - Nominal
24. Fixed exchange rate promotes \_\_\_\_\_ and investments.
- Saving
  - Consumption
  - International Trade
  - Interest Rate
25. \_\_\_\_\_ exchange rate permits independent internal policies to the countries.
- Flexible
  - Fixed
  - Real
  - Nominal
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26. \_\_\_\_\_ exchange rate is determined with market forces like demand and supply without any government intervention.
- a) Real
  - b) Free float
  - c) Fixed
  - d) Nominal
27. \_\_\_\_\_ exchange rate ensures equilibrium in balance of payments of the countries.
- a) Fixed
  - b) Flexible
  - c) Real
  - d) Nominal
28. \_\_\_\_\_ currency is a widely accepted currency in international market.
- a) Transport
  - b) Vehicle
  - c) Golden
  - d) Euro
29. \_\_\_\_\_ exchange rate promotes international cooperation.
- a) Fixed
  - b) Flexible
  - c) Managed flexible
  - d) Internal
30. \_\_\_\_\_ exchange rate does not react quickly to market forces.
- a) Flexible
  - b) Fixed
  - c) Forward
  - d) Spot
31. \_\_\_\_\_ exchange rate promotes domestic stability.
- a) Spot
  - b) Forward

- c) Fixed
- d) Flexible

32. \_\_\_\_\_ exchange rate does not react quickly to market forces.

- a) Fixed
- b) Flexible
- c) Spot
- d) Forward

33. \_\_\_\_\_ exchange rate is suitable for full employment.

- a) Fixed
- b) Flexible
- c) Spot
- d) Forward

34. \_\_\_\_\_ interest rate discourages investment and borrowing.

- a) Spot
- b) Forward
- c) Fixed
- d) Flexible

35. In \_\_\_\_\_ exchange rate mitigates cost of overvaluation and undervaluation.

- a) Fixed
- b) Flexible
- c) Managed Flexible
- d) Nominal

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