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Determinations of Income and Employment Notes

Question 16.

Supply creates its own Demand. Who gave this law?

- (a) J.B.Say
- (b) J.S.Mill
- (c) Keynes
- (d) Ricardo

Answer

Answer: (a) J.B.Say

Question 17.

Who is the author of the book 'General Theory of Employment, Interest, and Money'?

- (a) A.C. Pigou
- (b) Malthus
- (c) J.M. Keynes
- (d) Marshall

Answer

Answer: (c) J.M. Keynes

Question 18.

Which of the following is true for the Classical Theory of Employment?

- (a) State of full employment in the economy
- (b) No possibility of over-or under-production in the economy
- (c) Both (a) and (b)
- (d) None of the above

Answer

Answer: (c) Both (a) and (b)

Question 19.

On which factor Keynesian Theory of Employment depends?

- (a) Effective Demand
- (b) Supply
- (c) Production Efficiency
- (d) None of the above

Answer

Answer: (a) Effective Demand

Question 20.

Which is the determining factor for investment?

- (a) Marginal Efficiency of Capital
- (b) Interest Rate
- (c) Both (a) and (b)
- (d) None of these

[Answer](#)

Answer: (c) Both (a) and (b)

Question 21.

According to Keynes, investment implies:

- (a) Financial Investment
- (b) Real Investment
- (c) Both (a) and (b)
- (d) None of the above

[Answer](#)

Answer: (b) Real Investment

Question 22.

With the increase in investment, MEC:

- (a) Rises
- (b) Falls
- (c) Remains Constant
- (d) None of these

[Answer](#)

Answer: (b) Falls

Question 23.

Which of the following is a Real Investment?

- (a) Purchasing of a Share
- (b) Purchasing of Old Factory
- (c) Construction of Buildings
- (d) Opening Deposit Account in the Bank

[Answer](#)

Answer: (c) Construction of Buildings

Question 24.

$APC + APS = ?$

- (a) ?
- (b) 2

(c) 1

(d) 0

[Answer](#)

Answer: (b) 2

Question 25.

MPC = MPS = ?

(a) ?

(b) 2

(c) 1

(d) 0

[Answer](#)

Answer: (c) 1

Question 26.

Which or is true?

(a) $MPC + MPS = 0$

(b) $MPC + MPS < 1$

(c) $MPC + MPS = 1$

(d) $MPC + MPS > 1$

[Answer](#)

Answer: (c) $MPC + MPS = 1$

Question 27.

The main component of aggregate demand is:

(a) Individual consumption

(b) Public consumption

(c) Investment

(d) All the above

[Answer](#)

Answer: (d) All the above

Question 28.

Who is the writer of the book, "Trained Economic Politique"?

(a) Pigour

(b) J.B. Say

(c) Keynes

(d) Ricardo

[Answer](#)

Answer: (a) Pigour

Question 29.

IF MPC = 0.5, then Multiplier (k) will be:

- (a) 1/4
- (b) = 0
- (c) 1
- (d) 2

[Answer](#)

Answer: (d) 2

Question 30.

On which concept does classical viewpoint depend?

- (a) Say's Law of Market
- (b) perfect Flexibility of Wage Rate
- (c) Perfect Flexibility of Interest Rate
- (d) All of these

[Answer](#)

Answer: (d) All of these

Question 31.

"Wage cut maintains full employment in the economy." Who put forward this view?

- (a) Pigou
- (b) Keynes
- (c) Marshall
- (d) None of the above

[Answer](#)

Answer: (a) Pigou

Question 32.

Which one of the following is the determining factor of Equilibrium Income is the Keynesian Viewpoint?

- (a) Aggregate Demand
- (b) Aggregate Supply
- (c) Both (a) and (b)
- (d) None of the above

[Answer](#)

Answer: (c) Both (a) and (b)

Question 33.

In Keynesian viewpoint, the equilibrium level of income and employment in the economy will be established where:

- (a) $AD > AS$
- (b) $AS > AD$

- (c) $AD = AS$
- (d) None of these

[Answer](#)

Answer: (c) $AD = AS$

Question 34.

According to the saving-investment viewpoint, income employment equilibrium will be determined at a point where:

- (a) $S > I$
- (b) $I > S$
- (c) $S = I$
- (d) None of these

[Answer](#)

Answer: (c) $S = I$

Question 35.

An increase in aggregate demand of equilibrium level of income and employment causes an increase in:

- (a) Employment
- (b) Production
- (c) Income
- (d) All of these

[Answer](#)

Answer: (d) All of these

Question 36.

Which one is correct?

- (a) $Y = C + I$
- (b) $Y = 0 = N$
- (c) $C + S = C + I$
- (d) All of these

[Answer](#)

Answer: (d) All of these

Question 37.

Keynes theory is associated with :

- (a) Effective demand
- (b) Propensity to consume
- (c) Propensity to save
- (d) All of these

[Answer](#)

Answer: (d) All of these

Question 38.

Keynesian multiplier establishes a relationship between:

- (a) Investment and Income
- (b) Income and Consumption
- (c) Saving and Investment
- (d) None of the above

[Answer](#)

Answer: (a) Investment and Income

Question 39.

Which one is correct?

- (a) $K = 1/MPC$
- (b) $K = 1/MPS$
- (c) $K = 1/(1-MPS)$
- (d) $K = 1/(1+MPS)$

[Answer](#)

Answer: (b) $K = 1/MPS$

Question 40.

Multiplier can be expressed as:

- (a) $K = \Delta S/\Delta I$
- (b) $K = \Delta Y/\Delta I$
- (c) $K = I - S$
- (d) None of these

[Answer](#)

Answer: (b) $K = \Delta Y/\Delta I$

Question 41.

Keynes derived Investment Multiplier from Kahn's :

- (a) Income Multiplier
- (b) Consumption Multiplier
- (c) Employment Multiplier
- (d) None of the above

[Answer](#)

Answer: (c) Employment Multiplier

Question 42.

The value of Keynesian Investment Multiplier depends on:

- (a) Income Level
- (b) Marginal Productivity of Capital

- (c) Marginal Propensity to Consume
- (d) Investment Level

[Answer](#)

Answer: (c) Marginal Propensity to Consume

Question 43.

Which factor affects Keynesian Multiplier?

- (a) Marginal Propensity to Save
- (b) Marginal Propensity to Consume
- (c) Both (a) and (b)
- (d) None of the above

[Answer](#)

Answer: (c) Both (a) and (b)

Question 44.

Which of the following is correct?

- (a) MPC and multiplier have a direct relationship
- (b) MPS and multiplier have an inverse relationship
- (c) Both (a) and (b)
- (d) None of the above

[Answer](#)

Answer: (c) Both (a) and (b)

Question 45.

The value of MPC is:

- (a) 1
- (b) 0
- (c) Greater than 0 but less than 1
- (d) ?

[Answer](#)

Answer: (c) Greater than 0 but less than 1

Question 46.

If $MPC = 0.5$, then multiplier (K) will be:

- (a) $1/2$
- (b) 1
- (c) 2
- (d) 0

[Answer](#)

Answer: (c) 2

Question 47.

If MPC = 0.5 and initial investment is 100 Rs crores, the income generation in the economy will be :

- (a) 5 crores Rs
- (b) 100 crores Rs
- (c) 200 crores Rs
- (d) 500 crores Rs

[Answer](#)

Answer: (c) 200 crores Rs

Question 48.

'The theory of employment multiplier was propounded by:

- (a) Keynes
- (b) Kahn
- (c) Hansen
- (d) Marshall

[Answer](#)

Answer: (b) Kahn

Question 49.

If income equilibrium level in the economy is determined at the level before full employment, it is known as the state of:

- (a) Deficit Demand
- (b) Surplus Demand
- (c) Partial Demand
- (d) None of these

[Answer](#)

Answer: (a) Deficit Demand

Question 50.

In Keynesian economics, the state of Deficit Demand is called as:

- (a) Full Employment Equilibrium
- (b) Under Full Employment Equilibrium
- (c) Both (a) and (b)
- (d) None of the above

[Answer](#)

Answer: (b) Under Full Employment Equilibrium

Question 51.

What are the characteristics of Deficit Demand?

- (a) Aggregate Demand falls short of Aggregate Demand required at full employment
- (b) Aggregate Demand remains short of Aggregate Supply required of full employment

level

- (c) Both (a) and (b)
- (d) None of above

[Answer](#)

Answer: (c) Both (a) and (b)

Question 52.

Deflationary Gap shows the measurement of:

- (a) Deficit Demand
- (b) Surplus Demand
- (c) Full Employment
- (d) None of these

[Answer](#)

Answer: (a) Deficit Demand

Question 53.

Which one is the reason for appearing Deficit Demand condition?

- (a) Fall in the money supply in the country
- (b) Fall in investment demand as a result of rising in bank rate
- (c) Fall in disposable income and consumer demand due to increase in taxes
- (d) All the above

[Answer](#)

Answer: (d) All the above

Question 54.

Which of the following is true?

- (a) Employment level declines due to decrease in demand
- (b) Price level falls due to deficient demand in the country
- (c) Production level falls deficient demand
- (d) All the above

[Answer](#)

Answer: (d) All the above

Question 55.

The 'difference between the Aggregate Demand at above full employment and Aggregate Demand at full employment is known as:

- (a) Inflationary Gap
- (b) Deflationary Gap
- (c) Both (a) and (b)
- (d) None of the above

[Answer](#)

Answer: (a) Inflationary Gap

Question 56.

Which of the following is a reason for surplus demand?

- (a) Increase in Public Expenditure
- (b) Increase in Money Supply
- (c) Fall in Taxes
- (d) All the above

[Answer](#)

Answer: (d) All the above

Question 57.

In the situation of the deflationary gap:

- (a) Demand increases rapidly
- (b) Supply increase rapidly
- (c) Both demand and supply are equal
- (d) All of these

[Answer](#)

Answer: (d) All of these

Question 58.

Which of the following causes the trade cycle?

- (a) Deflationary Conditions
- (b) Inflationary Conditions
- (c) Both (a) and (b)
- (d) None of these

[Answer](#)

Answer: (c) Both (a) and (b)

Question 59.

Which one is the corrective measure for Deficient Demand?

- (a) Fiscal Measures
- (b) Monetary Measures
- (c) Both (a) & (b)
- (d) None of the above

[Answer](#)

Answer: (c) Both (a) & (b)

Question 60.

Which measure is included in Fiscal Measures?

- (a) Public Expenditure
- (b) Taxation

- (c) Public Debt
- (d) All of these

[Answer](#)

Answer: (d) All of these

Question 61.

Which fiscal measure should be adopted for correcting Deficient Demand?

- (a) Government should spend more on public works
- (b) Taxation should be reduced
- (c) Public debt should be reduced
- (d) All the above

[Answer](#)

Answer: (d) All the above

Question 62.

With which component of Monetary Policy, Central Bank tries to attain economic stability in the country?

- (a) Supply of Money
- (b) Interest Rate
- (c) Availability of Money
- (d) All of these

[Answer](#)

Answer: (d) All of these

Question 63.

Which method Central Bank adopts for controlling quantitative credit?

- (a) Bank Rate
- (b) Open Market Operations
- (c) Change in Cash Reserve Ratio
- (d) All the above

[Answer](#)

Answer: (d) All the above

Question 64.

Which is a qualitative method of controlling credit?

- (a) Change in Margin Requirements of Loanee
- (b) Credit Rationing
- (c) Direct Action
- (d) All of these

[Answer](#)

Answer: (d) All of these

Question 65.

Which monetary measure may be adopted to correct Deficient Demand?

- (a) Reduction in Bank Rate
- (b) Buying Securities in Open Markey
- (c) Reducing Cash Reserve Ratio
- (d) All the above

[Answer](#)

Answer: (d) All the above

Question 66.

Which fiscal measure is to be adopted in correcting the Inflationary Gap?

- (a) Reduction in Public Expenditure
- (b) Increase in taxes
- (c) Increase in Public debt
- (d) All of these

[Answer](#)

Answer: (d) All of these

Question 67.

Which monetary measure is to be adopted in correcting Inflationary

- (a) Increase in Bank Rate
- (b) Selling of Securities in Open Market
- (c) Increase in Cash Reserve Ratio
- (d) All the above

[Answer](#)

Answer: (d) All the above

Question 68.

Income and employment are determined by:

- (a) Total demand
- (b) Total supply
- (c) Total demand and total supply both
- (d) By market demand

[Answer](#)

Answer: (c) Total demand and total supply both

Question 69.

The relation between consumption and savings are:

- (a) Inverse
- (b) Direct
- (c) Inverse and direct both
- (d) Neither inverse nor direct.

[Answer](#)

Answer: (a) Inverse

Question 70.

When an economy they're to save all its extra income then investment calculation will be:

- (a) 1
- (b) Uncertain
- (c) 0
- (d) Infinite

[Answer](#)

Answer: (a) 1

Question 71.

“Supply creates its own demand”. This statement was given by the economist:

- (a) Keynes
- (b) Pigou
- (c) J. B.Say
- (d) Adam Smith

[Answer](#)

Answer: (c) J. B.Say

Question 72.

The classical theory is based on the assumption of:

- (a) Say's the law of market
- (b) Flexibility in wage rates
- (c) Flexibility in interest rate
- (d) All of the above

[Answer](#)

Answer: (d) All of the above.