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UNIT TEST : III,IV,V

Duration 2.30 Hrs **Economics (+2)** **Max. Marks : 90 Marks**

PART A

I. Choose the best answers **(20 x 1 = 20)**

1. An increase in the marginal propensity to consume will: a) Lead to consumption function becoming steeper b) Shift the consumption function upwards c) Shift the consumption function downwards d) Shift savings function upwards

2. Money is (a) acceptable only when it has intrinsic value (b) constant in purchasing power (c) the most liquid of all assets (d) needed for allocation of resources

3. The study of alternating fluctuations in business activity is referred to in Economics as (a) Boom (b) Recession (c) Recovery (d) Trade cycle

4. …… theory is a turning point in the development of modern economic theory. (a) Keynes' (b) Say's (c) Classical (d) Employment

5. Assertion (A) : Consumption is influenced by demonstration effect.

Reason (R) : The consumption standards of low income groups are influenced by the consumption standards of high income groups.

a. Both A and R are true and R is the correct explanation of A.

b. Both A and R are true but R is not the correct explanation of A.

c. A is true but R is false.

d. A is false but R is true.

7. The core of the classical theory of employment is ……

(a) Law of Diminishing Return (b) Law of Demand (c) Law of Markets (d) Law of Consumption

8. Every able bodied person who is willing to work at the prevailing wage rate is employed called as ……. (a) Full employment (b) Under employment (c) Unemployment (d) Employment opportunity

9. Say's law stressed the operation of ……. in the economy. (a) Induced price mechanism (b) Automatic price mechanism (c) Induced demand (d) Induced investment

10. The term MEC was introduced by a) Adam Smith b) J.M. Keynes c) Ricardo d) Malthus

11. If the Keynesian consumption function is C=10+0.8 Y then, and disposable income is Rs.100, what is the average propensity to consume? a) ₹ 0.8 b) ₹ 800 c) ₹ 810 d) ₹0.9

12. During stagflation

I. an increase in aggregate spending will eliminate the recession.

II. a decrease in aggregate spending will reduce inflation.

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III. government faces contradictory goals.

IV . The central bank decreases money supply to reduce inflation.

a. I and II only

b. III and IV only

c. I, II and III only

d. I, II, III and IV

13. The relationship between total spending on consumption and the total income is the _____ a) Consumption function b) Savings function c) Investment function d) aggregate demand function

14. Match the correct codes

1	Consumption Function	i	f (Y)
2	The Marginal Propensity to Consume	ii	ΔC/ ΔY
3	The Average Propensity to save	iii	S/ Y
4	The Marginal Propensity to Save	iv	ΔS / ΔY

Codes

a. (1) – (i) (2) – (ii) (3) – (iv) (4) – (iii)

b. (1) – (ii) (2) – (iii) (3) – (iv) (4) – (i)

c. (1) – (iv) (2) – (iii) (3) – (i) (4) – (ii)

d. (1) – (i) (2) – (ii)(3) – (iii) (4) – (iv)

15. Match the codes

1	This unemployment exists during the downturn phase of trade cycle in the economy.	i	Cyclical Unemployment
2	This type of unemployment occurs during certain seasons of the year.	ii	Seasonal Unemployment
3	Frictional unemployment arises due to imbalance between supply of labour and demand for labour.	iii	Temporary Unemployment
4	Sometimes educated people are underemployed or unemployed when qualification does not match the job.	iv	Educated Unemployment

Codes

a. (1) – (i) (2) – (ii) (3) – (iv) (4) – (iii)

b. (1) – (ii) (2) – (iii) (3) – (iv) (4) – (i)

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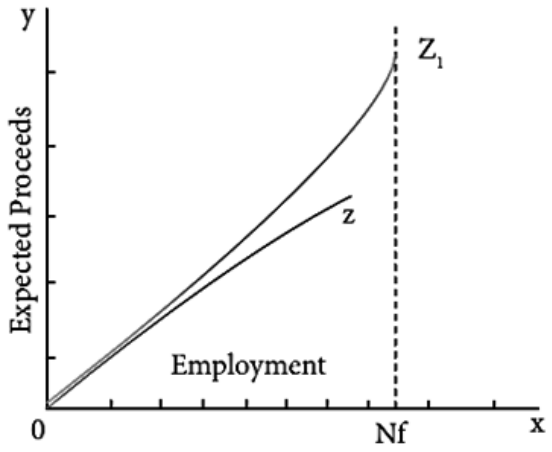
c. (1) – (iv) (2) – (iii) (3) – (i) (4) – (ii)

d. (1) – (i) (2) – (ii) (3) – (iii) (4) – (iv)

16. Paper currency system is managed by the (a) Central Monetary authority (b) State Government (c) Central Government (d) Banks

17. Consider the following diagram.



Assertion (A) Z curve is linear where money wages remains fixed; Z1 curve is non - linear since wage rate increases with employment.

Reason (R) The slope of the aggregate supply curve depends on the relation between the employment and productivity.

a. Both (A) and (R) are true and (R) is the correct explanation of (A).

b. Both (A) and (R) are true, but (R) is not the correct explanation of (A).

c. (A) is true, but (R) is false.

d. (A) is false, but (R) is true.

18. The MPC is equal to : a) Total spending / total consumption b) Total consumption/total income c) Change in consumption /change in income d) none of the above.

19. The sum of the MPC and MPS is _____ a)1 b) 2 c) 0.1 d) 1.1

20. The basic distinction between M1 and M2 is with regard to . (a) post office deposits (b) time deposits of banks (c) saving deposits of banks (d) currency

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Part B

II. Write any of following seven question (Q.N.30 is compulsory) (7x2 = 14)

21. What are the components of aggregate supply?

22. Explain Demand-pull and Cost push inflation.

23. What is Stagflation?

24. Give short note on frictional unemployment.

25. Define Multiplier.

26. State Cambridge equations of value of money.

27. Define Money.

28. Define Accelerator

29. What is plastic money? Give example.

30. What is labour retrenchment? Give reasons for labour retrenchment.

Part C

III. Write any of following seven question (Q.N.40 is compulsory)(7 x 3 = 21)

31. What is money supply?

32. Explain Demand-pull and Cost push inflation.

33. State Cambridge equations of value of money.

34. State the propositions of Keynes's Psychological Law of Consumption

35. Differentiate autonomous and induced investment.

36. Explain any three subjective and objective factors influencing the consumption function.

37. Mention the differences between accelerator and multiplier effect

38. What do you mean by aggregate demand ? Mention its components.

39. Explain about aggregate supply with the help of diagram

40. Explain Keynesian theory in the form of flow chart.

Part D

IV. Write allthe following questions (7 x 5 = 35)

41.a. Illustrate Fisher's Quantity theory of money. OR

b. Describe the phases of Trade cycle.

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42.a. Explain the functions of money. OR

b. Explain Keynes psychological law of consumption function with diagram.

43.a Briefly explain the subjective and objective factors of consumption function? OR

b. What are the causes and effects of inflation on the economy?

44.a. Describe the types of unemployment. OR

b. What are the Determinants of Investment Function?

45.a. Narrate the equilibrium between ADF and ASF with diagram. OR

b. Illustrate the working of Multiplier.

46.a. Explain the operation of the Accelerator. OR

b. What are the differences between MEC and MEI

47.a. Critically explain Say's law of market. OR

b. Consider M = Rs. 1000. M' = Rs. 500, V = 3, V' = 2, T = 4000 goods and find the value of money using Fisher's quantity theory of money.

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