

Examrace

Competitive Exams: Economics MCQs (Practice_Test 50 of 122)

Get unlimited access to the best preparation resource for competitive exams : **get questions, notes, tests, video lectures and more-** for all subjects of your exam.

1. Given the demand function $q = 20/P$, where p = price of product and q = quantity of product, the elasticity of demand at $p = 10$ would be
 - a. 0
 - b. -1
 - c. -2
 - d. -

2. Match List I (marginal Rate of substitution MRS_{XY}) with List II (The Shape of Indifference Curve IC) and select the correct answer:

List-I	List-II
A. $MRS_{XY} = \text{Zero}$ B. $MRS_{XY} = \text{Constant but non-zero}$ C. Decreasing MRS_{XY} D. Increasing MRS_{XY}	1. Right-angled 2. Straight line with negative slope 3. IC is concave to the origin 4. IC is convex to the origin

A B C D

- a. 1 2 4 3
 - b. 3 4 2 1
 - c. 1 4 2 3
 - d. 3 2 4 1
3. In a fixed exchange rate system, automatic adjustments of balance of payments are brought about by variation in Quantities demanded X d Y Price $P_1 P_2 O d$
 - a. fiscal policy interventions

- b. trade policy interventions
 - c. internal prices
 - d. external prices
4. Which one of the following assumptions is NOT correct for the revealed preference analysis?
- a. Consistency
 - b. Transitivity
 - c. Rationality
 - d. Weak ordering
5. A consumer spend all his income of ₹ 500 equally goods X and y by purchasing 50 unit X@ ₹ 5 per unit and 25 units of Y at the rate of ₹ 10 per unit. Because of recession, prices of X and Y fall by 50 % and his employer reduces his salary from ₹ 500 to ₹ 250. In this situation he is expected to
- a. increase the purchase of both X and Y as they are now cheaper
 - b. decrease the purchase of both x and Y as his income goes down
 - c. leave the purchase basket unaltered at 50 X and 25 of Y
 - d. alter his purchase in a uncertain way.
6. Let $I = 5 + 0.2 Y$, $s = -15 + 0.3 Y$ and $G = 5$ (where $I =$ Investment, $Y = Y =$ national Income, $s =$ Savings and $G =$ government Spending) . What is the equilibrium level of Y?
- a. 200
 - b. 100
 - c. 250
 - d. 300
7. Consider the following statements:
- a. Absolute Income Hypothesis is associated with Keynes
 - b. $S = -20 + 0.4y$ and $C = 20 + 0.6y$ yield the same investment multiplier
 - c. Investment multiplier rises whenever income tax is introduced in the system
 - d. Bond price and interest rates are directly related

Which of the above statements is/are correct?

- a. 1 alone

- b. 2 and 3
- c. 3 and 4
- d. 1 and 2

8. Given are the following informations about an economy: Consumption = ₹ 5,000
Gross Investment = ₹ 1,000 Govt. Purchases = ₹ 800 Exports = ₹ 600 Imports = ₹ 800
Depreciation = ₹ 250 What is the GNP at market prices?

- a. ₹ 7,100
- b. ₹ 6,850
- c. ₹ 6,600
- d. ₹ 6,350

9. Consider the following statements relating to classical theory of employment:

- a. Classical theory is based on the assumption of full employment.
- b. Classical version of full employment is a situation where involuntary unemployment is present
- c. Classical version of full employment is consistent with seasonal unemployment and frictional unemployment
- d. Classical economists advocated wage cuts to reduce the unemployment level

Which of the above statement are correct?

- a. 1,2 and 3
- b. 2,3 and 4
- c. 1,3 and 4
- d. 1 and 2

10. Which one of the following saving functions corresponds to the investment multiplier of 5?

- a. $S = -28 + 0.25 Y$
- b. $S = -40 + 0.75 Y$
- c. $S = -60 + 0.20 Y$
- d. $s = -75 + 0.60 Y$

11. When investment is negatively related to the rate of interest, the equilibrium output in the goods market is

- a. unrelated to the rate of interest

- b. inversely related to the rate of interest
- c. positively related to the rate of interest
- d. indeterminate

12. Consider the following statement denoting the relationship between marginal propensity to consume and value of multiplier:
- a. higher the marginal propensity to consume, higher is the multiplier
 - b. higher the marginal propensity to consume lower is the multiplier
 - c. when the marginal propensity to consume is one, multiplier takes the value of infinity

Which of the above statements is/are correct?

- a. 1 alone
- b. 2 and 3
- c. 1,2 and 3
- d. 1 and 3

13. Consider the following statement
- a. In an economy where productive capacities are increasing, gross private domestic investment exceeds depreciation
 - b. Interest on the public debt is not a part of national income but is included in personal income
 - c. disinvestment occurs when inventories expand
 - d. The purchase of new home is included in the GNP as a part of investment.

Which of the above statements are correct?

- a. 1 and 2
- b. 3 and 4
- c. 1,2 and 4
- d. 1,3 and 4

14. An increase in fiscal spending leads to
- a. a shift of the Philips curve to the right
 - b. a shift of the Philips curve to the left
 - c. movement along the Phillips curve such that unemployment rises and inflation falls

d. movement along the Phillips curve such that unemployment falls and inflation rises

15. Consider the following statements:

a. According to the accelerator model, investment demand is proportional to the change in GNP

b. The real rate of interest is the nominal rate of interest plus the inflation rate

c. the higher the real interest rate, the higher is the rental cost of capital

d. Investment is a stock concept

i. 2 and 3

ii. 1 and 2

iii. 1 and 3

iv. 1,2, 3 and 4

Developed by: [Mindsprite Solutions](#)