Examrace

Competitive Exams: Economics MCQs (Practice_Test 51 of 122)

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1. 'The propensity to consume of an individual with respect to his disposable income and wealth depends on his age.' The statement refers to the

    a. relative income hypothesis

    b. permanent income hypothesis

    c. life-cycle hypothesis

    d. absolute income hypothesis

2. When income falls, what happens to the liquidity preference curve?

    a. It does not shift

    b. It shifts to the left

    c. It shifts to the right

    d. It becomes parallel to the vertical axis

3. project A costing ₹ 2,000 crores has an MEC of 15 project b costing ₹ 1,100 crores has an MEC of 7 and project C costing ₹ 1,500 crores has an MEC of 13. What is the total equilibrium level of investment if the rate of interest is 8 percent?

    a. ₹ 2,000 crores

    b. ₹ 1,100 crores

    c. ₹ 1,500 crores

    d. ₹ 3,500 crores

4. How much has to be paid for a ₹ 1,000 bond that pays ₹ 60 per year and has only one year to go before maturity, if the prevailing interest rate is 7 per cent?

    a. $\frac{100}{1} \cdot 07$

    b. (1000×1.07)

    c. 940

    d. 1060 1

5. Consider the following statements:

    a. if government expenditure increases the IS cure shifts to the right

    b. If the taxes increase the IS curve shifts to the right

    c. If the price level increases the LM curve shifts to the left

    d. the more interest elastic the investment function, the more interest elastic will be the IS curve

Which of the above statement is/are correct?

    a. 2,3 and 4

    b. 1,3, and 4

    c. 1 and 2

    d. 2 alone

6. Consider an economy which has the following information:

    a. Reserve money = ₹ 10,000

    b. Currency and Demand Deposits = ₹ 25,000

    c. currency, Demand and Time Deposits = 50,000

    d. National Income = ₹ 1,00, 000

The income velocity of circulation of MI in this economy is

    a. 4.0

    b. 2.5

    c. 10.0

    d. 2.0

7. Stagflation refers to situation which is characterized by

    a. deflation and rising unemployment

    b. inflation and rising employment

    c. inflation and rising unemployment

    d. stagnant employment and deflation

8. Which one of the following is NOT included while estimating national income through income methods?

    a. Rental Income

    b. Undistributed Profits

    c. Mixed Income

d. Pensions

9. Bank rate refers to the

   a. interest rate at which Commercial Banks accept deposits from the public

   b. rate at which Central Bank rediscounts bills of exchange of Commercial Banks

   c. prime lending rate of commercial Banks

   d. interest rate at which Commercial banks lend to the customers

10. The elasticity in respect of speculative demand for money, under the liquidity trap condition is

   a. zero

   b. one

   c. grater than one

   d. infinite

11. When the intrinsic value of money and its face value are equal, it is called

   a. token money

   b. full-bodied money

   c. quasi-money

   d. fiat money

12. Which one of the following is NOT an instrument of monetary policy?

   a. Tariffs

   b. Moral suasion

   c. open market operations

   d. Credit rationing

13. Which one of the following according to Milton Friedman is NOT a key determinant of the demand for money?

   a. Aggregate wealth

   b. Precautionary motive

   c. Relative rates of return obtainable on different form of assets

   d. Physical non-human capital goods and human capital

14. A significant decrease in the demand for loans will force banks to

   a. adjust their portfolios

b. sell securities to the Central Bank

c. resort to borrowings

d. raise the prime lending rate

15. Which one of the following factors affects velocity of circulation?

a. time unit of income receipts

b. Frequency of transaction

c. Liquidity preference

d. all of the above

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