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Q1. When will demand become a grant?

a) After the demand is granted

b) When the budget session is closed.

c) After the discussion on demand is over

d) When a demand is proposed

Q2. One of the following is '**Labour**' in Economics.

a) Reading a book as a hobby

b) A Mother teaching her own son

c) A Painter working for his own pleasure

d) A Musician performing for a benefit fund

Q3. Which of the following concepts are most closely associated with J.M. Keynes ?

a) Indifference curve analysis

b) Marginal efficiency of captial

c) Marginal utility theory

d) Control of money supply

Q4. An increase in per capital income is **not** an indication of an increase in the economic welfare of the people

a) When it is the result of an increase in the production of industrial goods

b) When such increase is the result of increased production of intoxicants

c) When such increase is the result of an increase in agricultural production

d) When such increase is the result of an increased production of comforts

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Q5. Which of the following results by dividing national income by size of population ?

a) Subsistence expenditure

b) Per capita production

c) Subsistence level

d) Per capita income

Q6. Speculative demand for cash is determined by

a) the general price level

b) the market conditions

c) the level of income

d) The rate of interest

Q7. Say's Law of Market holds that

a) demand creates its own supply

b) supply is greater than demand

c) supply creates its own demand

d) supply is not equal to demand

Q8. A hammer in the hands of a house-wife is a _______ good.

a) free

b) intermediary

c) capital

d) consumer

Q9. The concept of joint sector implies cooperation between

a) Domestic and Foreign Companies

b) None of these

c) State Government and Central Government

d) Public sector and private sector industries

Q10. '**Hire and Fire**' is the policy of

a) Mixed Economy

b) Traditional Economy

c) Socialism

d) Capitalism

Q11. Tax on inheritance is called

a) Gift tax

b) Sales tax

c) Estate duty

d) Excise duty

Q12. The standard of living in a country is represented by its:

a) national income

b) unemployment rate

c) per capita income

d) poverty ratio

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Q13. Effective demand depends on

a) total expenditure

b) supply price

c) output-capital ratio

d) capital-output ratio

Q14. Elasticity of demand is the degree of responsiveness of demand of a commodity to a

a) change in consumers' tastes

b) change in its price

c) change in the price of substitutes

d) change in consumers' wealth

Q15. Malthusian theory is associated with which of the following ?

a) Diseases

b) Population

c) Employment

d) Poverty

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Answers to the above questions :

Q1. Answer: (a)

The estimates of expenditure included in the Budget and required to be voted by Lok Sabha are in the form of Demands for Grants.

These Demands are arranged Ministry-wise and a separate Demand for each of the major services is presented. Each Demand contains first a statement of the total grant and then a statement of the detailed estimate divided into items.

A demand becomes a grant after it has been voted. The voting of demands for grants is the exclusive privilege of the Lok Sabha and not of Rajya Sabha.

Q2. Answer: (d)

Labour includes both physical and mental work undertaken for some monetary reward. In this way, workers working in factories, services of doctors, advocates, ministers, officers and teachers are all included in labour.

Any physical or mental work which is not undertaken for getting income, but simply to attain pleasure or happiness, is not labour.

Q3. Answer: (b)

The marginal efficiency of capital (MEC) is that rate of discount which would equate the price of a fixed capital asset with its present discounted value of expected income.

The term “marginal efficiency of capital” was introduced by John Maynard Keynes in his General Theory, and defined as “the rate of discount which would make the present value of the series of annuities given by the returns expected from the capital asset during its life just equal its supply price

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Q4. Answer: (b)

An increase in per capita income due to increased production of intoxicants cannot be taken as economic welfare as it defeats the very notion of welfare.

Economic welfare refers to the level of prosperity and living standards of either an individual or a group of persons.

Factors used to measure the economic welfare of a population, include:

1. GDP,
2. Literacy,
3. Access to health care, and
4. Assessments of environmental quality.

Q5. Answer: (d)

Per capita income or average income or income per person is a measure of mean income within an economic aggregate, such as a country or city.

It is calculated by taking a measure of all sources of income in the aggregate (such as GDP or Gross National Income) and dividing it by the total population.

Q6. Answer: (d)

Speculative demand is the demand for financial assets, such as securities, money or foreign currency that is not dictated by real transactions such as trade, or financing.

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The assets demand for money is inversely related to the market interest rate. This is because, at a lower interest rate, more people will expect a rise in interest rate (or a fall in bond prices).

Q7. Answer: (c)

Say's law, or the law of the market is an economic principle of classical economics named after the French businessman and economist Jean-Baptiste Say (1767–1832), who stated that "supply creates its own demand". "Supply creates its own demand" is the formulation of Say's law by John Maynard Keynes.

The rejection of this doctrine is a central component of The General Theory of Employment, Interest and Money (1936) and a central tenet of Keynesian economics.

Q8. Answer: (b)

Good is any tangible item, whether produced or found naturally and which is available for exchange. A free good is a good that is so abundant in supply that it has no opportunity cost, for example, air.

Intermediary good is a firm's product that is used as an input into the production process of either the same firm or another.

Q9. Answer: (d)

Joint sector industries are owned jointly by the government and private individuals who have contributed to the capital.

In the joint sector, both the public sector and private sector join hands to establish new enterprises. The joint sector is an extension of the concept of a mixed economy.

Q10. Answer: (a)

In capitalism, people may sell or lend their property, and other people may buy or borrow them.

In many countries with mixed economies (part capitalism and part socialism), there are laws about what we can buy or sell, or what prices we can charge, or whom we can hire or fire.

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Q11. Answer: (c)

Estate duty is a tax on the total market value of a person’s assets at the date of his or her death. The deceased person’s assets, as a whole, are called an estate. Inheritance tax is levied on assets that legal heirs inherit, while estate duty is applicable on the assets of those who are dead.

Q12. Answer: (c)

Per capita income or average income or income per person is the mean income within an economic aggregate, such as a country or city. It is calculated by taking a measure of all sources of income in the aggregate (such as GDP or Gross National Income) and dividing it by the total population.

It does not attempt to reflect the distribution of income or wealth. Per capita income is often used to measure a country’s standard of living.

However, it is not a good standard of measuring standard of living as it is the income of one person in the country.

Q13. Answer: (b)

Effective Demand is "the demand in which the consumer is able and willing to purchase at conceivable price" simply saying if the product price is low more will buy, but if the rates go high then the quantity of the demand goes down.

Keynes used two terms: Aggregate Demand Function or Price and Aggregate Supply Function or Price to explain the determination of effective demand.

Q14. Answer: (b)

The elasticity of demand, also known as price elasticity of demand, is the degree of responsiveness of demand to a change in price.

Its measure depends upon comparing the percentage change in the price with the resultant percentage change in the quantity demanded.

Thus, the elasticity of demand is the ratio of percentage change in the amount demanded to a percentage change in price.

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Q15. Answer: (b)

The most well-known theory of population is the Malthusian theory. It explains the relationship between the growth in food supply and in population. It states that population increases faster than food supply and if unchecked leads to vice or misery.

Thomas Robert Malthus enunciated his views about population in his famous book, Essay on the Principle of Population as it Affects the Future Improvement of Society, published in 1798.

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