

INTRODUCTION TO MACRO ECONOMICS BASED INDIAN ECONOMY MCQ PRACTICE QUESTIONS AND ANSWERS PDF WITH EXPLANATION

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Q1. What is included in the Tertiary sector ?

- a) Forestry
 - b) Mining
 - c) Manufacturing
 - d) Banking
-

Q2. Which of the following is **not** a feature of a capitalist economy?

- a) Service motive
 - b) Freedom of choice to consumers
 - c) Existence of competition
 - d) Right to private property
-

Q3. Which of the following is a better measurement of Economic Development ?

- a) NNP
 - b) Per capita income
 - c) Disposable income
 - d) GDP
-

Q4. National Income include :

- a) Winning of a lottery prize
- b) Construction of a new house
- c) Pocket money of a child

d) Financial help to earthquake victims

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Q5. Gross National Product is the money measure of

- a) services generated annually in the economy
- b) all tangible goods available in the economy
- c) final goods and services produced in the economy
- d) all tangible goods produced in a country

Q6. The Keynesian consumption function shows a relation between

- a) aggregate consumption and aggregate income
- b) aggregate consumption and interest rate
- c) aggregate consumption and general price level.
- d) aggregate consumption and total population.

Q7. Which of the following would **not** constitute an economic activity in Economics ?

- a) A teacher teaching his own daughter at home
- b) A teacher teaching students under Sarva Shiksha Abhiyan Scheme
- c) A teacher teaching students in a coaching institute
- d) A teacher teaching students in his college

Q8. Who said 'Supply creates its own demand'?

- a) Marshall
- b) Ricardo

- c) J.B.Saw
 - d) Adam Smith
-

Q9. Personal disposable income is

- a) equal to personal income minus indirect taxes
 - b) equal to personal income minus direct taxes
 - c) always more than personal income
 - d) always equal to personal income
-

Q10. Transfer payments include :

- a) net factor income from abroad
 - b) Employee's contribution to social security
 - c) rent free accommodation by the employer
 - d) Gifts received from a friend
-

Q11. Per capita income =

- a) $\frac{\text{Gross National Product}}{\text{Total Population}}$
 - b) $\frac{\text{National Income}}{\text{Total Population}}$
 - c) $\frac{\text{Total Population}}{\text{National Income}}$
 - d) $\frac{\text{Net National Product}}{\text{Total Population}}$
-

Q12. “The national income consists of a collection of goods and services reduced to common basis by being measured in terms of money.”— Who says this ?

- a) Hicks
- b) Pigou
- c) Kuznets
- d) Samuelson

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Q13. National Income is the

- a) Net Domestic Product at market price
- b) Net domestic Product at factor cost
- c) Net National Product at factor cost
- d) Net National Product at market price

Q14. The price of a commodity is the same as

- a) Average cost
- b) Total revenue
- c) Total cost
- d) Average revenue

Q15. Income and consumption are :

- a) partially related
- b) unrelated.
- c) directly related
- d) inversely related

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Answers to the above questions :

Q1. Answer: (d)

The tertiary industry is the segment of the economy that provides services to its consumers.

It includes a wide range of activities that are service-based and give non-tangible value to customers such as the provision of trading, insurance, banking, etc.

The other sectors are the secondary sector (manufacturing), and the primary sector (agriculture and allied activities).

Q2. Answer: (a)

Capitalism is an economic system in which each individual in his capacity as a consumer, producer, and the resource owner is engaged in economic activity with a large measure of economic freedom.

The inspiring force in this system is self-interest and maximization of profit. The decisions of businessmen, farmers, producers, including that of wage-earners are based on the profit motive.

Q3. Answer: (b)

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. Measurement of personal income is the best measure of the economic well-being of individuals and nations.

Besides, it helps to show the level of inequality in a society or country.

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Q4. Answer: (b)

National income is the total value of a country's final output of all new goods and services produced in one year.

So the construction of a new house is certainly output of goods. Transfer payments are not a part of the national income.

So private sector transfers including charitable donations and prizes to lottery winners are excluded from it.

Q5. Answer: (c)

Gross national product (GNP) is the market value of all products and services produced in one year by labour and property supplied by the residents of a country.

It is the total value of all final goods and services produced within a nation in a particular year, plus income earned by its citizens (including income of those located abroad), minus income of non-residents located in that country.

Q6. Answer: (a)

According to Keynesian Theory of consumption, the current real disposable income is the most important determinant of consumption in the short run. It bases consumption on current income.

Q7. Answer: (a)

Economic activity, is quite simply, the activity of the economy. It includes the growth and shrinkage of the economy and all factors that affect this (for example Aggregate Expenditure).

It is commonly measured by the GDP (Gross Domestic Product) which is probably one of the most reliable economic indicators.

A teacher teaching his daughter at home is an example of a non-economic activity.

Q8. Answer: (c)

“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.

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 “products are paid for with products” and “a glut can take place only when there are too many means of production applied to one kind of product and not enough to another

Q9. Answer: (b)

Disposable income is total personal income minus personal current taxes. In national accounts, definitions, personal income, minus personal current taxes equals disposable personal income.

Subtracting personal outlays (which includes the major category of personal (or, private) consumption expenditure) yields personal (or, private) savings.

Q10. Answer: (b)

A transfer payment is a one-way payment of money for which no money, good, or service is received in exchange.

Governments use such payments as means of income redistribution by giving out money under social welfare programs such as social security, old age or disability pensions, student grants, unemployment compensation, etc.

Examples of certain transfer payments include welfare (financial aid), social security, and government making subsidies for certain businesses

Q11. Answer: (a)

Per capita income, more simply known as 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.

Q12. Answer: (a)

British economist John Hicks said that National income is a collection of goods and services reduced to a common basis by being measured in terms of money. Hicks was one of the most important and influential economists of the twentieth century.

The most familiar of his many contributions in the field of economics were his statement of consumer demand theory in microeconomics, and the IS/LM model (1937), which summarized a Keynesian view of macroeconomics.

His book Value and Capital (1939) significantly extended general-equilibrium and value theory.

Q13. Answer: (c)

Net National Product at factor cost is also called national income.

Net National Product at factor cost is equal to sum total of value added at factor cost or net domestic product at factor cost and net factor income from abroad.

NNP at factor cost = NNP at Market Price - Net Indirect Tax.

National income measures the monetary value of the flow of output of goods and services produced within an economy over a period of time.

Q14. Answer: (d)

Average Revenue refers to revenue received per unit of output sold. It is the same as the Price of the commodity. Average revenue can be obtained by dividing the total revenue by the number of units sold.

Thus, Average Revenue (AR) = $\frac{\text{Total Revenue (TR)}}{\text{Quantity sold (Q)}}$

When we take the case of a single commodity,

$$TR = P \times Q$$

$$\text{So, } AR = \frac{P \times Q}{Q} = P,$$

where P = Price of the commodity

Q15. Answer: (c)

Consumption and income are directly or positively related.

An increase in income is associated with an increase in income; a decrease in consumption accompanies a decrease in income.

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