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

For All Competitive SSC, Bank, IBPS, UPSC, Railway, IT & Other Govt. Exams

Created By Careericons Team

Q1. Which of the following is **not** included in the National Income?

a) Winning a lottery

b) Commission paid to an agent for sale of house

c) Government expenditure on making new bridges

d) Imputed rent of owner-occupied houses

Q2. Consumptions function refers to

a) relationship between input and output

b) relationship between income and consumption

c) relationship between savings and investment

d) relationship between income and employment

Q3. In terms of economics, if it is possible to make someone betteroff without making someone worseoff, then the situation is

a) Optimal

b) Paretosuperior

c) Efficient

d) Inefficient

Q4. Which of the following is **not** required while computing Gross National Product (GNP) ?

a) Per capita income of citizens

b) Purchase of goods by government

c) Private investment

d) Net foreign investment

Q5. An individual's actual standard of living can be assessed by

a) Per Capita Income

b) Disposable Personal Income

c) Net National Income

d) Gross National Income

Q6. Surplus budget is recommended during :

a) Famines

b) War

c) Depression

d) Boom

Q7. National Income is generated from:

a) any profit-making activity

b) any productive activity

c) any laborious activity

d) any money-making activity

Q8. Price mechanism is a feature of

a) Mixed economy

b) Socialist economy

c) Barter economy

d) Capitalist economy

Q9. Which of the following curve describes the variation of household expenditure on a particular good with respect to household income ?

a) Great Gatsby curve

b) Cost curve

c) Engel curve

d) Demand curve

Q10. Who defined investment as "the construction of a new capital asset like machinery or factory building" ?

a) Harrod

b) J.R. Hicks

c) J.M. Keynes

d) Hansen

Q11. According to Malthusian theory of population

a) Population increases in a harmonic mean, food supply increases in geometric ratio

b) Population increases in a harmonic ratio, food supply increases in a arithmetic ratio

c) Population increases in arithmetic ratio, food supply increases in geometric ratio

d) Population increases in geometric ratio, food supply increases in arithmetic ratio

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Q12. In a Laissez-faire economy

a) the private-sector takes all the decisions for price-determination of various commodities produced

b) the Government controls the allocation of all the factors of production

c) the Government does not interfere in the free functioning of demand and supply forces in the market

d) the customers take all the decisions regarding production of all the commodities

Q13. Capital : Output Ratio of a measures

a) the ratio of capital depreciation to quantity of output

b) the ratio of working capital employed to quantity of output

c) the amount of capital invested per unit of output

d) its per unit cost of production

Q14. Transfer payments mean

a) Social security payments

b) All the above

c) Unemployment compensations

d) Old age pensions

Q15. In which of the following market forms, a firm does **not** exercise control over price?

a) Oligopoly

b) Monopolistic competition

c) Perfect competition

d) Monopoly

Answers to the above questions :

Q1. Answer: (a)

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

Transfer payments are not a part of the national income so they are cut from national income to get n.n.p in order to arrive at national income such payments are bad debts incurred by banks, payments of pensions, charity, scholarships etc.

Private-sector transfers include charitable donations and prizes to lottery winners.

Q2. Answer: (b)

The Consumption function is a single mathematical function used to express consumer spending.

It was developed by John Maynard Keynes and detailed most famously in his book The General Theory of Employment, Interest, and Money.

It is made up of autonomous consumption that is not influenced by current income and induced consumption that is influenced by the economy's income level.

Q3. Answer: (d)

Pareto efficiency is said to occur when it is impossible to make one party better off without making someone worse off.

An inefficient situation is one where it is possible to make some people better off without making anyone else worse off.

INCLUSIVE GROWTH, SUSTAINABLE DEVELOPMENT AND EMPLOYMENT

POVERTY & UNEMPLOYMENT INTRODUCTION TO MICRO ECONOMICS

INTRODUCTION TO MACRO ECONOMICS

MACRO FUNDAMENTALS, GDP, INVESTMENT, GROWTH

DEMAND & SUPPLY, PROFIT LOSS, INFLATION & PRICE INDEX

FISCAL POLICY, PUBLIC FINANCE AND MONETARY POLICY

MONEY SUPPLY, BANKING AND FINANCIAL INSTITUTIONS

TAXES TYPES, METHODS & BUDGETING PROCESS

BANKING, SECURITY MARKET & INSURANCE

Q4. Answer: (a)

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.

Basically, GNP 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.

GNP measures the value of goods and services that the country's citizens produced regardless of their location.

Q5. Answer: (a)

The standard of living is a measure of the material welfare of the inhabitants of a country. The baseline measure of the standard of living is real national output per head of population or real GDP per capita.

This is the value of national output divided by the resident population. Other things being equal, a sustained increase in real GDP increases a nation's standard of living providing that output rises faster than the total population.

Q6. Answer: (c)

A surplus budget is a budget in which government receipts are greater than government expenditures.

Such a budget is desired when the economy is battling inflation due to excess aggregate demand (AD). The surplus budget plugs the inflationary gap by lowering the level of aggregate demand. AD is lowered on account of

1. rising in revenue collection by the government, and
2. a fall in government expenditure.

Q7. Answer: (c)

National income is the monetary value of all goods and services produced by nationals of a country. Only productive activities are included in the computation of national income.

All incomes earned through productive activities are included in national income. Income earned through unproductive activities is not included.

Q8. Answer: (d)

The price mechanism is an economic term that refers to the manner in which the prices of commodities affect the demand and supply of goods and services.

It is essentially a feature of market-driven or capitalist economic systems. It is based on the principle that only by allowing prices to move freely will the supply of any given commodity match demand.

Q9. Answer: (c)

In microeconomics, an Engel curve describes how household expenditure on a particular good or service varies with household income.

The curve is named after the German statistician Ernst Engel (1821–1896), who was the first to investigate this relationship between goods expenditure and income systematically in 1857.

Q10. Answer: (c)

Investment expenditure refers to the creation of new assets i.e. an addition to the stock of existing capital assets.

According to Keynes investment demand depends upon two factors:

1. Expected rate of profit which he calls Marginal Efficiency of Capital (MEC). Investment demand increases with the increase in the expected rate of profit;
2. the rate of interest (IR). Investment demand decreases with the increase in the rate of interest.

Q11. Answer: (d)

In his 1798 work, An Essay on the Principle of Population, Malthus examined the relationship between population growth and resources and developed the Malthusian theory of population growth.

He proposed that human populations grow exponentially (i.e., doubling with each cycle) while food production grows at an arithmetic rate (i.e. by the repeated addition of a uniform increment in each uniform interval of time).

Q12. Answer: (c)

Laissez Faire is an economic theory from the 18th century that is strongly opposed to any government intervention in business affairs.

Sometimes it is referred to as “let it be economics.” It is an economic environment in which transactions between private parties are free from tariffs, government subsidies, and enforced monopolies, with only enough government regulations sufficient to protect property rights against theft and aggression.

Q13. Answer: (c)

Capital output ratio is the ratio of capital used to produce an output over a period of time.

This ratio has a tendency to be high when capital is cheap as compared to other inputs. For instance, a country with abundant natural resources can use its resources in lieu of capital to boost its output; hence the resulting capital output ratio is low.

Q14. Answer: (b)

Transfer payment refers to a payment made by a public authority other than one made in exchange for goods or service produced.

Transfer payments are not part of the national income. Examples include Old age pensions, unemployment compensations, social security payments and child benefit.

Q15. Answer: (c)

In perfect competition, the existence of a large number of firms producing and selling the product ensures that an individual firm exercises no influence over the price of the product.

The output of an individual firm constitutes a very small fraction of the total output of the whole industry so that any increase or decrease in output by an individual firm has a negligible effect on the total supply of product of the industry.

As a result, a single firm is not in a position to influence the price of the product by the increasing or reducing its output.