

SSR DEGREE COLLEGE, NIZAMABAD(5029)

DEPARTMENT OF ECONOMICS

SEMESTER-II INTERNAL-2 EXAM QUESTION BANK

Multiple choice questions

1. Addition to the physical stock of capital is called (a)
a. Investment b. Savings c. Capital d. Consumption
2. The main factors that influence _____ is the cost of capital (b)
a. MPC b. MEC c. curves d. none
3. The supply of capital comes from savings which involves (a)
a. sacrifice b. purchasing c. sales d. cost
4. The demand for capital comes from _____ (b)
a. purchasing .b. investment c. a and b d. none
5. Loanable funds theory is also known as (c)
a. classical b. supply c. Neo classical d. All of the above
6. LPC full form (a)
a. Liquidity preference curve b. Liquidity c. a and b d. None
7. The modern theory of interest takes into account both the real _____ (d)
a. wages b/ profit c. interest d. factor
8. The determinants of investment are mainly of _____ factors (c)
a. 3 b. 4 c. 2 d. 1
9. Money was invented to overcome the difficulties of (a)
a. barter b. exchange c. a and b d. none
10. Value of money is the reciprocal of the _____ level (a)
a. price b. demand c. cost d. none
11. Fishers equation (a)
a. $P = \frac{MV+MV}{T}$ b. MV + MV c. MT + MT d. MV
12. Fisher;s theory may not apply to the developing _____ (a)
a. countries b. Equations c. a and b d. None

13. Robertson's cash-balance equation (b)
 a. $M = K$ b. $M = KPT$ c. $M = M$ d. $M = MP$
14. The value of commodity is determined by its supply and _____ (a)
 a. demand b. goods c. sales d. distribution
15. There is a circular flow of _____ in the economic system (a)
 a. money b. price c. demand d. none
16. Coins whose face value is more than their intrinsic value is called (b)
 a. silver b. token money c. paper d. none
17. According to Keynes it is change in income and _____ (c)
 a. purchase b. savings c. expenditure d. all of the above
18. Reserve Bank of India adopted how many types of money (c)
 a. 4 b. 3 c. 2 d. 6
19. How many types of inflation (c)
 a. 2 b. 3 c. 4 d. 5
20. Inflation is a situation where there is an excessive rise in the General ____ Level (a)
 a. price b. demand c. a and b d. none

Fill in the blanks

21. In spite of differences regarding the meaning of the term _____ (inflation)
22. _____ is just the opposite of inflation
23. Inflation occurs when the demand for goods and services exceed the _____ (supply)
24. The supply of money and credit should be _____ (increased)
25. How many types of trade cycles _____ (four)
26. In an economy, which is in equilibrium _____ (production)
27. After some period of depression, there will be _____ of business activity (revival)
28. Trade cycles are not desirable. Depression means _____ (large scale)
29. When aggregate demand is more than full _____ (employment)
30. Keynes theory takes into account _____ effect only (multiplier)
31. Under utilization of production capacity of firm and _____ units (industrial units)
32. National Income = $C + I + G +$ _____ ($X - M$)
33. _____ expenditure may not remove the fundamental causes of depression (public)

34. _____ of trade cycles requires international also (control)
35. Public borrowing should be reduced so as to leave more _____ (income)
36. To counter act boom, price control should be introduced _____ (Fisher's)
37. Taxation should be reduced in period of _____ (depression)
38. Fiscal policy is considered to be effective instrument to control _____ (trade cycles)
39. _____ depression is a dangerous phase of trade cycle (economic)
40. In economy stabilization of _____ by control of trade cycle (prices)

Short Answer Questions

41. Economic Depression Economic depression is dangerous phase of trade cycle

42. How types of trade cycles and what are they ?

1. Expansion
2. Prosperity
3. Recession
4. Revival

43. Supply of money

The supply of money consists of Notes, coins in circulated and Bank money

44. Fisher's Quantity

Value of money is the reciprocal of price

45. MEC - The rate of profit expected on an extra unit of capital assets is known as Marginal Efficiency of capital

46. Demand for Capital

Demand for capital comes from investment

47. Over production – The increase in consumption is less supply creates its own demand

48. Average propensity to save formula

$$APS = \frac{Savings}{Disposable\ income}$$

49. Wage cut policy – Classical economist, unemployment may occur in the short run

50. Acceleration

When the initial investment is increased incomes will increase