PPSC Economics Topic 4 Monetary & Fiscal Policy

Sr	Questions	Answers Choice
1	A decline in the value of the rupee makes Pakistan goods cheaper relative to foreign goods, resulting in a _____ in net exports and a _____ shifts of the IS curve.	A. fall ; leftward B. rise ; leftward C. fall ; rightward D. rise ; rightward
2	An increase in autonomous consumer expenditure causes the equilibrium level of aggregate output to _____ at any given interest rate and shifts the _____ curve to the	A. rise ; LM ; right B. rise ; IS ; right C. fall ; LM, Left D. rise ; IS ; Left
3	An increase in the money supply other thighs equal shifts the _____ curve to the	A. IS ; right B. Is ; left C. LM ; Left D. LM ; right
4	Equilibrium in the money markets can be expressed by the equation $i = 9k/h) Y -M/h$. The slope of LM decrease when	A. k increases and h increase B. k increases and h decrease C. k decrease and h increase D. k decrease and h decrease
5	Which of the following events will lead to a decrease in the demand for money.	A. An increase in the level of aggregate output. B. A decrease in the supply of money C. A decrease in the interest rate D. a decrease in the price level
6	The situation in which the imports are greater than exports is termed as.	A. Trade surplus B. Trade deficit C. Budget surplus D. None
7	In the case of an expansionary ____ policy the interest rate rise while in the case of an expansionary _____ policy the interest rate falls.	A. monetary ; monetary B. monetary ; fiscal C. fiscal ; monetary D. fiscal ; fiscal
8	One of money's primary roles in the economy comes from the use of money to transfer purchasing power to the future This role of money is called.	A. store of value B. Unit of account C. Medium of exchange D. Standard of deferred payment
9	Which of the following causes M1 demand is decrease.	A. A fall in the tax rate B. An increase in income C. A fall in the interest rate D. An increase in the use of credit cards
10	The function of money do not include.	A. an exchange of purchasing power B. A unit of account C. A medium of exchange D. A store of value
11	The equilibrium level of saving is.	A. Rs.120 B. Rs.75 C. Rs.40 D. Rs.80
12	The board pumps money out of the economy by	A. Buying bonds B. Selling bond C. Creating cash D. Lowering the reserve requirements.
13	During the early years of the Great depression there was a significant decrees n the the money supply that causes. the _____ to shift_____	A. LM ; rightward B. IS ; rightwards C. LM ; Leftward D. IS ; Leftward
14	Automatic stabilizers	A. Counter balance fluctuations in economic activity. B. Reinforce fluctuations in economic activity C. Do not occur when the economy falls into recession D.

		D. Reduces the size of the deflationary gap
15	When the central Bank _____ the money supply the LM curve shifts to the _____ interest rates _____ and equilibrium aggregate output.	A. Increase ; right ; fall; increase B. increases ; left ; rise ; decrease C. decreases ; left ;rise ; increases D. decreases ; left ; fall ; increases
16	A decrease in the quantity of money supplied shifts the money supply curve to the_____ and the equilibrium interest rate	A. right ; fall B. right ; rises C. left ; falls D. left ; rises
17	a contractionary monetary policy	A. Reduces interest rtes B. Reduces real output C. shifts the LM curve to the right D. All of the above
18	An autonomous rise in _____ note causes by a change in the price level aggregate output of the interest shifts the _____ curve to the	A. Net exports LM right B. Net exports LM left C. Money demand IS right D. Money demand LM left
19	The intersection of the IS and LM curves captures.	A. The equilibrium of the demand and supply sides of the economy B. the equivalence of monetary and fiscal policy C. Joint equilibrium in the goods and money markets D. All of the above
20	In the Keynesian corss diagram, and cline in autonomous consumer expenditure causes the aggregate demand function to shift _____ the equilibrium level of aggregate output to fall, and the IS curve to shift to the.	A. up ; left B. up ; right C. down ; left D. down ; right