

PPSC Economics Chapter 3 Macro Economics

Sr	Questions	Answers Choice
1	When the Central Bank initiates actions which will lead to an increase in the supply of money IS -LM models tell us to expect that.	A. The interest rate will rise B. The interest rate will decline C. The price level will not change D. Investment will decline
2	The multiplier which specifically refers to an equal increase in government spending and taxes, giving rise to that same equal increase in national income is called.	A. the Keynesian multiplier B. The balanced budget multiplier C. the deficit multiplier D. None of the above
3	When the price level increases 25% starting from a price level equal to 100, a Rs. 1000 bond will have a real value of .	A. Rs. 800 B. Rs.1250 C. Rs.750 D. Rs.666
4	From a Keynesian perspective business investment will decline as a result of.	A. A fall in the interest rate B. A decrease in business taxes C. A decline in business expectations D. Acceleration of business depreciation
5	When an increase in government spending is matched by an equal decrease in government transfers, the income level will.	A. Stay the same B. Increase C. Decrease D. All of the above
6	The sign of the simple correlation coefficient is determined by	A. The intercept of the least squares equation. B. The slope of the least squares equation C. The appropriate economic theory. D. The researcher
7	A variable whose value is determined within an economic theory or model is.	A. Exogenous B. Independent C. Deterministic D. Endogenous
8	When a British pound equals Rs. 1.60 and the French Franc equals Rs. 0.40 the ability to earn infinite profit if it were not the case, implies that the exchange rate would be.	A. 1 franc = 4 pounds B. 1 franc = 1 pound C. 5 franc = 1 pound D. None of the above
9	During inflation.	A. Lenders lose borrowers gain. B. Borrowers lose , lenders gain C. The real interest rate rises D. Borrowers and lenders both lose.
10	If equilibrium national income is less than the full employment the gap can be closed by.	A. Raising taxes B. Decreasing government expenditures C. Raising taxes and decreasing government expenditures. D. Increasing government expenditures.
11	Over a two year period your income has increased 10% At the same time the consumer price index has increased 20% Your real purchasing power is.	A. 92% of the original value B. 50% of its original value C. Not affected by the price change D. 109% of its original value
12	An asset with zero carrying costs and a present value of Rs.50,000 will return continuous annual yield of Rs.5000 if the current and future rate of interest is.	A. 5% B. 8% C. 10% D. 3%
13	The risk free rate of interest would not be affected by.	A. Changes in real output B. Change in the money supply C. Term to maturity D. None of the above
14	Keynes and Sav's macroeconomic theory of employment were diametrically opposed Sav	A. Supply creates demand B. Demand creates supply C. Unemployment is a most likely D. None of the above

14	state that.	state of affairs D. Full employment can only be achieved by government interference.
15	In a simple Keynesian world assume the economy is operating at a full employment noninflationary level worsening world conditions necessitate additional government spending of Rs.50 billion. What should be the direction of change in taxes and magnitude of change to maintain stable price and full employment equilibrium.	A. Increase by Rs.50 billion B. Increase by more than Rs. 50 billion C. Increase by less than Rs.50 billion. D. Decrease by more than Rs.50 billion.
16	Appreciation of the U.S. dollar results in.	A. U.S. tourists traveling abroad being worse off B. U.S. imports increasing. C. Foreign currency buying more U.S. goods and services. D. No change in foreign purchases or sales.
17	Under law of demand.	A. Price of commodity is an independent variable B. Quantity demanded is a dependent variable C. Reciprocal relationship is found between price and quantity demanded D. All of the above
18	Which of the following is an economic activity.	A. Teaching of a teacher in the school. B. To teach son at home C. To serve her child by mother D. to play foot ball by a student
19	If the Nominal GNP of an economy rose from Rs. 5000 to 5500 between 1985 and 1986 while the price index rose from 100 to 110 during the same period real GNP	A. Fell by 10% from 1985 to 1986 B. Rose by 10% from 1985 to 1986 C. Remained constant from 1985 to 1986 D. Fell by 1% from 1985 to 1986
20	In which of the following situations will an increase in the money supply have no effect upon equilibrium income.	A. LM is steeply sloped and IS is relatively flat B. LM is vertical and IS is steeply sloped C. LM is steeply sloped and IS is vertical D. LM is relatively flat as is IS