

## PPSC Economics Chapter 3 Macro Economics

Sr	Questions	Answers Choice
1	According to the life cycle hypothesis consumption is related to.	A. Current income B. Past peak income C. Expected lifetime income D. Price expectations over one's life time
2	According to the permanent income hypothesis all increases in .	A. Permanent income are saved B. Permanent income are consumed C. transitory income are saved D. Transitory income are consumed
3	Keynes considered subjective and objective factors.	A. Determinants of investment B. Determinants of business will ingress to supply C. Unimportant determinants of consumption. D. Important determinants of consumption.
4	Changes in subjective or objective factors.	A. Never affect the consumption function B. Always cause downward shifts of the consumption function C. Always cause upward shifts of the consumption function D. May cause upward or downward shifts of the consumption function
5	Which of the following is the second law of gossen.	A. Law of equal marginal utility. B. Law of equi product C. Theory of indifference curve D. Law of diminishing marginal utility.
6	Disinflationary demand management policies.	A. Achieve a lower rate of inflation without causing a decreases in output. B. Reduce output but have no initial effect on the inflation rate C. Require an increase in government spending. D. Require a reduction in the growth rate of the nominal money supply.
7	An economy is in inflationary equilibrium A sustained increase in government appending shifts.	A. DAD rightward for one period B. DAD and DAS right ward permanently C. DAD right ward and a new equilibrium D. DAD right ward and a new equilibrium.
8	At point of satiety marginal utilityis.	A. Positive B. Negative C. Maximum D. Zero
9	The dynamic aggregate demand schedule shifts rightward when there is an increase in.	A. The expected rate of inflation ceteris paribus B. The growth rate of the nominal money supply ceteris paribus C. The income tax rate ceteris paribus D. the current inflation rate celeries paribus
10	Marginal utility is equal to average utility at that time when average utility is.	A. Increasing B. Maximum C. Falling D. Minimum
11	Suppose there is full employment and positively sloped aggregate supply schedule A decrees in taxes increases.	A. The price level and real output B. the prie level but has no effect on real output C. Real output but has no effect on the price level D. The price level and real output

		D. The nominal and real wage
12	Suppose there is full employment and a neoclassical aggregate supply schedule A 105 increases in the nominal money supply.	A. Has no effect upon the price level B. Increase the rate of interest C. Increase the nominal wage 10% D. Increase the real money supply 10%
13	The data indicates that country A in billions of rupees is experiencing a	A. A deficit of Rs.60 B. A surplus of Rs. 300 C. Deficit of Rs.900 D. A deficit of Rs. 500
14	A rise in the exchange rate value of the rupee will most likely cause.	A. A dollar to be worth less in terms of other currencies. B. Imports to decrease C. Exports to increase D. The balance of payments curve to shift to the left
15	Which of the following in a graph with interest rates and income on the vertical and horizontal axes, does not shift the balance of payments curve to the right.	A. Capital flow restrictions B. Export quotas C. Export subsidies D. Import tariffs
16	An import function is $100 + 0.1Y$ and exports are exogenous. If income (Y) is 500, and there is a trade deficit of 50, then exports are.	A. 0 B. 25 C. 75 D. 100
17	The regression equation for consumption as a function of disposable income is $C = -60 + 0.90Y$ . the standard error of Y is 30 and the standard error of estimate is 9.5 What is the 95% confidence interval for C when Y is Rs. 1000 billion.	A. Rs.941 to Rs. 979 B. Rs.900 to Rs. 1,020 C. Rs.821 to Rs.859 D. Rs.780 to Rs.900
18	Two independent variables are not independent of each other in a multiple regression problem The analyst most likely will be confronted with.	A. The problem of autocorrelation B. A type 1 error C. The problem of multicollinearity. D. a type II error
19	The regression results indicate that the standard error of estimate is.	A. 135.94 B. 16.06 C. 28.98 D. 4.27
20	If the foreign interest rate is 12% while the domestic interest rate is 9% then the forward premium will be.	A. 1.3 % B. 12% C. 9% D. 3%