

## PPSC Economics Chapter 3 Macro Economics

Sr	Questions	Answers Choice
1	Company X sells Rs.75 million dollars of 9.5% first mortgage bonds at par The company's marginal tax rate to 30% The after tax cost of debt is.	A. 2.85% B. 3.175 C. 6.68% D. 7.55
2	The estimated regression coefficient for good Y indicates	A. Goods X and Y are independent goods B. Good Y is relatively elastic C. Good Y is a luxury good D. Goods X and Y are complementary goods
3	Which of the following methods is used for internalizaing positive externalities	<ul> <li>A. Positive taxes</li> <li>B. Government exchange of property rights</li> <li>C. Effluent fees</li> <li>D. Corrective substidies</li> </ul>
4	The equation for a givne production function is $Q = K2 + KL$ , initially $K = 2$ and $L = 1$ if the value of both inputs is doubted the production function exhibite.	<ul> <li>A. Increasing returns to scale</li> <li>B. Diseconomies of scale</li> <li>C. Constant returns to scale</li> <li>D. Economies of scale</li> </ul>
5	What is the average money balance according to the square root rute if income is Rs.1500, each transaction cost is Rs.4, and the opportunity cost of holding money is.2%	A. 387 B. 50 C. 175 D. 203
6	The long run foreign exchange rate between the U.S. and Japan is 200 Yen =Rs. 1 under a floating exchange rate Which of the following does 112 t occur if the Federal Reserve reduce the money supply in order to prevent the occurrence of inflation.	A. Foreign capital flows to the U.S. B. The U.S. dollar appreciates C. Real net exports decline D. American real GNP experience a slower rate of growth
7	If the rate of growth of a full employment labor forc eis 1.55 and 2.55 then the celling rate of growth of real GNP, according to Hick's theory of a constrained business cycle, is.	A. 1.5 % B. 2.55 C. 4.0% D. 1.7%
8	The impact of contractionary fiscal policy, according to new classical theory is that.	A. Real interest rates do not change B. Aggregate demand increase C. Current real output substantially decreases D. The price level substantially increases.
9	The short run impact of unanticipated expansionary monetary policy is that.	<ul> <li>A. Real output decrease</li> <li>B. Employment decreases</li> <li>C. Real interest rates decrease</li> <li>D. Profit margins decrease</li> </ul>
10	When equilibrium in the money and goods markets occurs at a rate of interest below the BP schedule internal and external equilibrium for the United States can he achieved by.	A. Expanding the U.S. money supply B. Increasing government spending C. Increasing taxes D. Lowering interest rates in the united states.
11	The Root Mean square Error for the actual sales and sales forecast for 1985 and 1986 is.	A. 20.2 B. 19.9 C. 14.7 D. 17.2
12	If sales are forecasted using an adaptive expectations model where the coefficient of adjustment .2, the sales forecast for 1986 is.	A. Rs.260 B. Rs.244.4 C. Rs.3.6 D. Rs.283.6
13	Which of the following is incorrect with respect to the consumption diagram.	A. the interest rate is a premium B. MRS = (i +r) C. The consumer will be lender in time zero D. The consumer lends 700
14	When the export function is Rs 100-0.2 Y, net exports are 0 when income is	A. Rs.300 B. Rs.400

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15	O kun's Law states that for each percentage point by which the unemployment rate is above the natural rate real GNP is 3% below potential GNP, if real GNP is Rs. 3,800 billion with the actual level of unemployment at 6.05 and the natural rate of unemployment at 4.5% then according to Okun's law the GNP gap is.	A. 171 billion B. 684 billion C. 114 billion D. 228 billion
16	The equilibrium level of Y and I derived from the LM and IS equations above is.	A. Y = 130 and I = 10% B. Y = 200 and I = 30% C. Y = 180 and I = 7% D. Y = 250 and I = 2%
17	The equation for the IS curve is.	A. Y = 55 - 50 i B. Y = 175 - 75 i C. Y = 300 - 100 i D. Y = 275 - 25 i
18	The equation for the LM curve is.	A. $Y = 100 - 50 i$ B. $Y = 50 + 50 i$ C. $Y = 50 - 80 i$ D. $Y = 80 + 50 i$
19	Utility means.	<ul><li>A. Power to satisfy a want</li><li>B. Usefulness</li><li>C. Willingness of a person</li><li>D. Hamfulness</li></ul>
20	Which of the following results in an increase in the value of the dollar.	<ul> <li>A. Interest rates n the united states decrees, ceteris paribus</li> <li>B. Interest rates in foreign countries increase, ceteris paribus</li> <li>C. Price level in the United States increases, ceteris paribus</li> <li>D. Productivity in the united states increases, ceteris paribus</li> </ul>