PPSC Economics Topic 3 Macro Economics

Sr	Questions	Answers Choice
1	After a temporary beneficial supply shock hits the economy general equilibrium is restored by	A. A shift down and to the left of the IS curve B. A shift to the left of the FE line C. A shift up and to the left to the LM curve D. A shift down and to the right of the LM curve
2	Banks can create money	A. Only by illegally printing additional dollar bills B. By paying interest to their depositors C. By making loans that result in additional deposits D. By offering financial services, such as stick market brokerage
3	A change in autonomous spending is represented by.	A. A movement along a spending line B. A shift of a spending line C. A change in a behavioral coefficient. D. None of these
4	If personal income equals Rs.570 white personal income takes equal Rs.90 consumption is Rs.430. interest payments total Rs. 10 and personal saving is Rs. 40, disposable income equals.	A. Rs. 500 B. Rs.480 C. Rs. 470 D. Rs.400
5	During inflation.	A. Lenders lose borrowers gain. B. Borrowers lose , lenders gain C. The real interest rate rises D. Borrowers and lenders both lose.
6	If the reserve deposit ratio is 0.25 and the ratio of currency in circulation to deposits is 0.3, the potential money multiplier will have a value of.	A. 2.36 B. 0.42 C. 1.20 D. 0.96
7	In the product market of the circular flow model.	A. Firms buy finished products from households. B. Consumers buy factors of production from firms C. Firms Sell factors of production to the government D. Consumers buy finished products from firms
8	The ratio of the change in the equilibrium level of income to a change in some automats increase in spending is the	A. Elasticity coefficient B. Multiplier C. Automatic stabilizer D. Marginal propensity of the autonomous variable
9	An IOU of the Federal Reserve Bank of Scan Francisco to Bank of America is called.	A. Discourse B. Federal funds C. Reserves D. Collateral
10	Equilibrium occurs in a two sector model when	A. Saving equals investment. B. Consumption plys investment equals the value of putput C. Planned saving equals planned investment. D. Aggregate spending equals the revenues of the business sector
11	Real business cycle theorists think that most business cycle fluctuations are caused by shocks to.	A. The production function B. The size of the labor force C. The real quantity of government purchases D. The spending and saving decisions of consumers
		A. LM is steeply sloped and IS is relatively that

12	In which of the following situations will an increase in the money supply have no effect upon equilibrium iincome.	B. LM is vertical and IS is stopped C. LM is steeply sotped and IS is vertical D. LM is relatively flat as is IS
13	The value of a producer's output minus the value of the inputs if purchases from other producers is called the producer's	A. Surplus B. Profit C. Gross product D. Value added
14	In the Keynesian model which curve is vertical.	A. LRAS B. SRAS C. AD D. NS
15	The substitution effect of a decrease in real interest rates is to cause a consumer to.	A. Increase future consumption and decrease current consumption B. Decrease future consumption and increase current consumption C. Increase current consumption and increase saving D. Decrease current consumption and increase saving.
16	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
17	In the short run in the Keynesian model a sharp increase in oil prices would leave the economy with a ____ level of output and a _____ real interest rate.	A. Higher ; lower B. Lower ; Higher C. Higher ; higher
18	Which of the following macro economic variables is the most seasonally pro cyclical.	A. Expenditure on services B. The unemployment rate C. Expenditure on durable goods D. The real wage
19	Desired national saving would increase unambiguously if there were	A. An increase in current output and expected future output B. An increase in expected future output and government purchases C. An increase in expected future output and the expected real interest rate D. A fall in both government purchases and expected future output
20	Find the revenue the government collects as a result of the tax	A. Rs.10 million B. Rs.40 million C. Rs.16 million D. Rs.30 million