

According to Keynesian economics, aggregate expenditures are the sum of desired or planned spending undertaken by:

Select correct option:

The household sector after taxes

The business and government sectors

All four sectors only when the economy is at full employment

**All four sectors at a specific aggregate production level**

Microeconomics is the branch of economics that deals with which of the following topics?

Select correct option:

The behavior of individual consumers

Unemployment and interest rates

The behavior of individual firms and investors

**The behavior of individual consumers and behavior of individual firms and investors**

If the cross price elasticity of demand between two products is +3.5, then:

Select correct option:

One of the products is expensive and one is relatively inexpensive.

One product is a normal good and the other is an inferior good.

The two products are complements.

**The two products are substitutes.**

The total value of goods exchanged in product markets each year is measured by:

Select correct option:

Gross national product

Net national product

**Gross domestic product**

Net national product

A firm maximizes profit by operating at the level of output where:

Select correct option:

Average revenue equals average cost.

Average revenue equals average variable cost.

Total costs are minimized.

**Marginal revenue equals marginal cost.**

The total market value of all final goods and services produced within a given period by factors of production located within a country is:

Select correct option:

Gross national product

Gross domestic product

**Net national product**

Net national income

The most important factor in determining the long-run profit potential in monopolistic competition is:

Select correct option:

**Free entry and exit**

The elasticity of the market demand curve

The elasticity of the firm's demand curve

The reaction of rival firms to a change in price

Unemployment benefits reduce the cost of job search, this may:

Select correct option:

Decrease the unemployment rate

**Increase the unemployment rate**

Increase the output in country

Leads to higher inflation

In a perfectly competitive market:

Select correct option:

Firms can freely enter and exit

Firms sell a differentiated product

Transaction costs are high

**All of the given options**

Which of the following is NOT an account in the balance of payments?

Select correct option:

**Capital account**

Financial account

Current account

Future account

There are \_\_\_\_\_ methods of measuring GDP:

Select correct option:

Four

**Three**

Five

None

GDP is:

Select correct option:

A stock

**A flow**

Both a stock and a flow

Neither a stock nor a flow

The study of economics basically focuses on:

Select correct option:

For whom resources are allocated to increase efficiency.

How society spends the income of individuals.

How scarce resources are allocated to fulfill society's goals.

**What scarce resources are used to produce goods and services.**

Which of the following will happen if there is an increase in the long term economic growth?

Select correct option:

**The production possibilities curve will shift outward.**

The production possibilities curve will shift inward.

There will be a movement from inside the production possibilities curve to a point on the production possibilities curve.

There will be a movement from the production possibilities curve to a point inside the production possibilities curve.

If more substitutes available in the market, the \_\_\_\_\_ demand will be in response to a change in price.

Select correct option:

**More elastic**

Less elastic

Unit elastic

Infinite elastic

Those who hold the classical view of the labor market are likely to believe that

Select correct option:

Monetary, but not fiscal policy will have an effect on output and employment

Fiscal but not monetary policy will have an effect on output and employment.

Both monetary and fiscal policy will have an effect on output and employment.

**Neither monetary nor fiscal policy will have an effect on output and employment.**

$Q = c + dP$  represents equation of

Select correct option:

Supply function

**Demand function**

Labor supply function

Market demand function

According to Classical Economists, Economy always remains:

Select correct option:

**At full employment level**

- Below full employment level
- Above full employment level
- None of the given options

The effect of a change in income on the quantity of the good consumed is called the:

Select correct option:

**Income effect**

- Budget effect
- Substitution effect
- Real income effect

The gold standard was an example of what kind of exchange-rate system?

Select correct option:

**A freely floating exchange rate**

- A managed floating exchange rate
- A fixed exchange rate
- A non-convertible exchange rate

What would result from a depreciation of the pound on the foreign exchange market?

Select correct option:

- An increase in the price of imported computers

**A fall in the purchasing power of US tourists in London**

- A fall in the price of imported computers
- An increase in the purchasing power of UK tourists overseas

The traditional Phillips Curve shows the:

Select correct option:

**Inverse relationship between the nominal and the real wage**

- Inverse relationship between the nominal and the real wage
- Direct relationship between unemployment and demand-pull inflation
- Tradeoff between the short run and the long run

Suppose the consumption function is  $C = 1000 + 0.75Y$ . If  $Y = 100$ , then the amount of consumption is:

Select correct option:

- 1750
- 1500
- 1075**
- 1100

Cartels are:

Select correct option:

- Organizations of independent firms, producing similar products, that work together to raise prices and restrict output
- Organizations of interdependent firms

Oligopolies

**All of the above**

Multiplier principle states that a change in investment causes a magnified change in:

Select correct option:

**In come**

Consumption

Saving

Unemployment

Question # 11 of 15 ( Start time: 09:45:30 PM ) Total Marks: 1

The relationship between consumer spending and income is known as the:

Select correct option:

45-degree line

**Con s u mp ti on f u n c ti on**

Investment function

Consumer price index

The classical economists thought that the economy would quickly overcome any short run instability because:

Select correct option:

Price level and quantity were flexible

Prices would get stuck at a low level

The long run aggregate supply would shift to the left

**Pri ces an d w ages w ere fl exi b le**

When APC is 0.90 and MPC is 0.75 then APS is:

Select correct option:

0.25 And MPS is 0.25

**0.90 An d MPS i s 0.75**

0.25 And MPS is 0.10

0.10 And MPS is 0.25

In the classical model, given an initial aggregate equilibrium at full employment, the long run effect of an increase in government spending is;

Select correct option:

An increase in the price level

An upward shift of the aggregate demand curve

A constant level of output

**All of the above**

If the prices of all goods and services rise during the year:

Select correct option:

Real GDP may fall

Nominal GDP must fall

**No mi n a l G D P m a y i n c r e a s e**

Real GDP must rise

If consumer's income remains constant then demand for product Y will:

Select correct option:

**Necessarily remain unchanged**

Shift to the right if Y is a complementary good

Shift to the right if Y is a normal good

Shift to the right if Y is an inferior good

The optimal point of consumption is the point where consumer surplus becomes:

Select correct option:

Zero

**Maximum**

Minimum

Positive

When producers are unable to meet market demand for the product this results as:

Select correct option:

Surplus of goods

Market failure

Monopoly

**Shortage of good**

When the cross price elasticity of demand for two goods is less than zero then the goods are:

Select correct option:

Complementary goods

**Substitute goods**

Inferior goods

Gift goods

If the price elasticity of demand for beans is estimated to be -0.4 then a 20% increase in price will decrease the quantity demanded by:

Select correct option:

14%

**8%**

16%

20%

What is the reason of leftward shift in the demand curve for product A?

Select correct option:

A decrease in income if A is an inferior good

**An increase in income if A is a normal good**

An increase in the price of product that is a close substitute for A

An increase in the price of a product that is complimentary to A

Which of the following defines the opportunity cost?

Select correct option:

It is measured only in rupees

It is the cost to society of producing the goods

It is the difficulty associated with using one good in place of another

**It is the cost of next best alternative forgone**

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