

14. According to M. Friedman, Quantity Theory of Money is the theory of :

- (1) Value of money
- (2) Price determination
- (3) Nominal income
- (4) Demand for money

Friedman presents the quantity theory as the theory of the demand for money and the demand for money is assumed to depend on asset prices or relative returns and wealth or income.

17. who considered, transaction demand for money is influence by rate of interest.

1. Keynes. → according to Keynes's depends on income.
2. Tobin.
3. Baumol.
4. Samuelson.

transaction theory of demand for money.

It shows how a theory of the stable demand for money becomes a theory of prices and output.

18. Under Keynes Psychological law of consumption the relationship between consumption and income is

- a. Linear and proportional
- b. Non-linear and proportional
- c. Linear and non-proportional
- d. Nonlinear and non-proportional Both C & D

19. The formula for calculating super multiplier is

1.  $1/1-MPC$
2.  $1/1-MPC-MPI$
3.  $1/1-MPC+MPI$
4.  $1/MPC+MPS$

$1 - MPC - MPI$   
Super multiplier (Hicks)

Properties of Keynes's Consumption

- (1)  $C = f(Y - T)$
- (2)  $APC = \frac{C}{Y} \downarrow$  as  $Y \uparrow$  inc.
- (3)  $0 < MPC < 1$

$$0 < \frac{\Delta C}{\Delta Y} < \Delta Y$$

$$C = a + by$$

$$\frac{\Delta C}{\Delta Y} = b < 1 \text{ (non-proportional)}$$

20. Match the following : List - I List - II

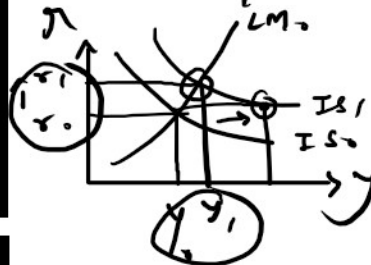
- |                    |               |
|--------------------|---------------|
| a. Alfred Marshall | i. $M = PKT$  |
| b. Irving Fisher   | ii. $M = PKY$ |
| c. Robertson       | iii. $N = PK$ |
| d. Keynes          | iv. $MV = PT$ |

Select the correct codes given below :

- Codes : a b c d
- (1) iv iii ii i
  - (2) ii iv i iii
  - (3) i ii iii iv
  - (4) iii i iv ii

21) IS curve shows that when income increases

- A Interest rate must fall to restore equilibrium in the goods market
- B Interest rate must fall to restore Equilibrium in the asset market
- C Interest rate must rise to restore equilibrium in the asset market
- D Interest rate must rise to restore equilibrium in the goods market



crowding-out effect.

22. The original Phillips curve:

1. was developed to show the trade-off between real GDP and unemployment.
2. has proven remarkably stable over the years.
3. was developed in the 1970s to explain simultaneous increases in inflation and unemployment.
4. illustrates the short-run trade-off between inflation and unemployment.

→ → → ... (handwritten scribbles)

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- illustrates the short-run trade-off between inflation and unemployment.

23. When only such disturbances as changes in technology/tastes or in public spending and taxes can affect economic growth and employment, whereas changes in the money supply would have no effect upon economic growth and employment, we have...

- the Keynesian assumption.
- the classical dichotomy.
- sticky prices.
- the Taylor rule

25. Which of the following is a capital receipt in the Government budget ?

- Interest receipts on loans given by the Government to other parties.
  - Dividend and profit of public enterprises.
  - Borrowings of the government from the public.
  - Selling of PSU's to private.
- A. 1, 2, and 3 are correct.  
 B. 2 and 3 are correct.  
 C. 3 and 4 are correct.  
 D. 1, 2, 3 & 4 are correct.

2. Which of the following functions will result in a multiplier of value 5?  
 निम्नलिखित में से किस कार्य के परिणामस्वरूप होगा?

- $C = 100 + 0.2 Y$
- $C = 120 + 0.8 Y$
- $S = -50 + 0.8 Y$
- $S = -50 + 0.2 Y$

Choose the correct answer from the options given below.

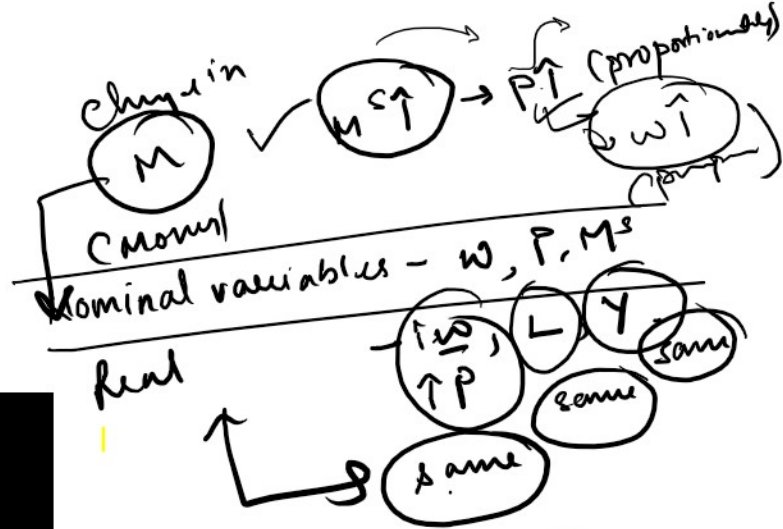
- A and C only
- A and D only
- B and D only
- C and D only

3. In an economy consumption function is  $C = 200 + 0.6 Y$  and investment is 1000 then find out equilibrium level of income..  
 एक अर्थव्यवस्था में खपत फलन  $C = 200 + 0.6 Y$  है और निवेश 1000 है तो आय का संतुलन स्तर ज्ञात कीजिए।

- 3400
- 3000
- 2500
- 2000

4. Consider the following statements describing the relationship between marginal propensity to consume (m.p.c) and the value of the multiplier :

- Higher the m.p.c lower is the value of multiplier
  - Higher the m.p.c higher is the value of multiplier
  - If m.p.c=1, value of multiplier will be  $\infty$
- Which of the above statements is/are correct ?
- (b) alone
  - (b) and (c)
  - (c) alone



The receipts of govt which create liability or reduce financial assets of the govt are called capital receipts

- Market Borrowings
- Other Borrowings: from RBI, CB, other financial institutes.
- Disinvestment of equity holdings in public sector enterprises.
- Small savings  
 P.O. savings, salary ac, P.O. time deposit, PPF, national saving certificate, Kisan vikas Patra.
- Other receipts - railway revenue fund, telecommunication revenue fund, receipts from international financial institutes etc...

4. Consider the following statements describing the relationship between marginal propensity to consume (m.p.c) and the value of the multiplier :

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  - (b) Higher the m.p.c higher is the value of multiplier
  - (c) If m.p.c=1, value of multiplier will be  $\infty$
- Which of the above statements is/are correct ?
- (1) (b) alone
  - (2) (b) and (c)
  - (3) (c) alone
  - (4) (a) alone

5. As per IS-LM framework, an increase in government expenditure will result in :

- (1) increase in income and interest rate both.
- (2) increase in income only.
- (3) decrease in investment and interest rate both.
- (4) decrease in income and interest rate both

IS-LM ढांचे के अनुसार, सरकारी व्यय में वृद्धि का परिणाम होगा:

- (1) आय और ब्याज दर दोनों में वृद्धि।
- (2) केवल आय में वृद्धि।
- (3) निवेश और ब्याज दर दोनों में कमी।
- (4) आय और ब्याज दर दोनों में कमी।

6. Match the following lists :

List - I List - II

- A. Aggregate demand/कुल मांग
  - B. Acceleration Principle/त्वरण सिद्धांत
  - C. Aggregate supply/कुल आपूर्ति
  - D. Investment Multiplier/निवेश गुणक
- (i)  $k = \Delta Y / \Delta I$
  - (ii)  $C + I$
  - (iii)  $\alpha = \Delta I / \Delta C$
  - (iv)  $C + S$

Select the correct answer from the codes given below :

Codes :

A B C D

- (1) (ii) (i) (iii) (iv)
- (2) (ii) (iv) (iii) (i)
- (3) (ii) (iv) (i) (iii)
- (4) (ii) (iii) (iv) (i)

7. Fiscal policy is perfectly effective

- 1. LM curve is perfectly elastic.
- 2. IS curve is perfectly inelastic.
- 3. LM curve is perfectly inelastic.
- 4. IS curve is more elastic

- A. 1, and 2.
- B. 2 and 3
- C. 3 and 4
- D. 1 and 4

5) Kisan vikas patra.  
Other receipts - railway  
revenue fund, telecommuni-  
cation revenue fund,  
receipts from international  
financial institutes  
etc...

8. According to Keynes, investment demand is determined by the following two factors ?

- (a) Rate of interest ✓
- (b) Income of the consumer
- (c) Marginal efficiency of capital **MEC** ✓
- (d) Marginal propensity to consume ✗

Answer from the codes below •

- (1) (a) and (d) ✗
- (2) (b) and (d) ✗
- (3) (a) and (c) ✓
- (4) (c) and (d) ✗

9. When nominal GDP is ₹5,000 crores and GDP deflator is ₹400 crores, Real GDP is :

जब नॉमिनल जीडीपी ₹5,000 करोड़ है और जीडीपी डिफ्लेटर ₹400 करोड़ है, तो वास्तविक जीडीपी है:

- 1. 900
- 2. 1250 ✓
- 3. 1320
- 4. 1420

Handwritten notes:

$$GDP\ def = \frac{Nom\ GDP}{Real\ GDP}$$

$$400 = \frac{5000}{?}$$

$$? = \frac{5000}{400} = 1250$$

11. Match the following : List - I List - II

- |                    |   |             |
|--------------------|---|-------------|
| a. Alfred Marshall | → | i. M = PKT  |
| b. Irving Fisher   | → | ii. M = PKY |
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- (1) iv iii ii i
- (2) ii iv i iii ✓
- (3) i ii iii iv
- (4) iii i iv ii

12. Arrange in ascending chronological order the following consumption hypotheses in which they appeared in the economics literature :

- (1) Absolute income hypothesis — 1944
- (2) Permanent income hypothesis — 1957
- (3) Life cycle hypothesis — 1950
- (4) Relative increase hypothesis — 1948

Handwritten answer: 1, 4, 3, 2 (ans) ✓

Handwritten mark: — ✗ —

1, 4, 3, 2 (ans) ✓

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