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(Pages : 4)

Name.....

Reg. No.....

FIFTH SEMESTER B.A. DEGREE EXAMINATION, NOVEMBER 2018

(CUCBCSS—UG)

Economics

ECO 5B 07—MACRO ECONOMICS—I

(Multiple Choice Questions for SDE Candidates)

Time : 15 Minutes

Total No. of Questions : 20

Maximum : 20 Marks

INSTRUCTIONS TO THE CANDIDATE

1. This Question Paper carries Multiple Choice Questions from 1 to 20.
2. The candidate should check that the question paper supplied to him/her contains all the 20 questions in serial order.
3. Each question is provided with choices (A), (B), (C) and (D) having one correct answer. Choose the correct answer and enter it in the main answer-book.
4. The MCQ question paper will be supplied after the completion of the descriptive examination.

ECO 5B 07—MACRO ECONOMICS—I

(Multiple Choice Questions for SDE Candidates)

1. Which of the following is not an assumption of classical theory ?
 - (A) Price flexibility.
 - (B) Unemployment.
 - (C) Say's law.
 - (D) Neutrality of money.
2. The normal condition of a capitalist economy in classical theory is :
 - (A) Underemployment.
 - (B) Full employment.
 - (C) General unemployment.
 - (D) Frictional unemployment.
3. The theory explaining the direct relationship between the price level and quantity of money is known as :
 - (A) Quantity theory of money.
 - (B) Say's law of markets.
 - (C) Real theory of interest.
 - (D) None of these.
4. The cash balance equation $M = KPO$ was given by :
 - (A) Keynes.
 - (B) Pigou.
 - (C) Robertson.
 - (D) Marshall.
5. In the equation $MV + M^1 V^1 = PT$, 'M' denotes :
 - (A) Velocity of money.
 - (B) Money in circulation.
 - (C) Bank deposit.
 - (D) None of these.
6. As per classical theory saving is :
 - (A) An increasing function of rate of interest.
 - (B) Decreasing function of rate of interest.
 - (C) Decreasing function of level of income.
 - (D) None of these.
7. The Cambridge version of the quantity theory of money was developed by :
 - (A) Fisher.
 - (B) Alfred Marshall.
 - (C) Pigou.
 - (D) Keynes.

8. In classical system which of the following keeps the economy at full employment :
- (A) Level of saving. (B) Increase in money supply.
(C) Adjustment in investment. (D) Adjustment in money wages.
9. The LM curve has a ————— slope :
- (A) Positive. (B) Negative.
(C) Zero. (D) None of these.
10. The perfectly elastic segment of the LM curve is :
- (A) Keynesian range. (B) Classical range.
(C) Intermediate range. (D) None of these.
11. Which policy is effective in the keynesian range ?
- (A) Monetary policy. (B) Fiscal policy.
(C) Incomes policy. (D) None of these.
12. IS-LM model was developed by :
- (A) Keynes. (B) Walras.
(C) J.R. Hicks (D) Don-Patinkin.
13. Frictional unemployment exists :
- (A) When there is a decrease in real GDP.
(B) Because it takes time to find a job when one is first entering the labour force.
(C) As a result of technological change.
(D) When an individual retires.
14. The natural rate of unemployment equals the sum of those who are :
- (A) Frictionally and structurally unemployed.
(B) Frictionally and cyclically unemployed.
(C) Structurally and cyclically unemployed.
(D) Frictionally structurally and cyclically unemployed.
15. Employment equilibrium in the Classical theory is achieved through :
- (A) Wage-Price flexibility. (B) Changes in aggregate demand.
(C) Changes in aggregate supply. (D) None of these.

Turn over

16. The interest rate paid on bonds is known as :
- (A) Call rate. (B) Coupon rate.
(C) Repo rate. (D) Bank rate.
17. The monetary policy is completely ineffective when the LM curve is :
- (A) Vertical. (B) Horizontal.
(C) Upward sloping. (D) Downward sloping
18. Changes in the subjective or objective factors :
- (A) Never affect consumption function.
(B) Always cause downward shift in consumption function.
(C) Always cause upward shift in consumption function.
(D) They cause upward or downward shifts in consumption function.
19. Saving is a function of :
- (A) Export. (B) Import.
(C) Investment. (D) Income.
20. Entrepreneurs will have no tendency to expand or contract output and employment when :
- (A) $AD > AS$. (B) $AD < AS$.
(C) $AD = AS$. (D) None of the above.