

Semester : IIIrd

Course Name: BA (Prog.)

Paper Name: Principles of Macro Economics- 1

ASSIGNMENT

Q1 Explain the quantity theory of money.

Q2 Determine price and output levels in the classical model.

Q3 What are the objectives of monetary policy.

Q4 Discuss the quantitative credit control measures adopted by the central bank.

Q5 What are the instruments of monetary policy.

CLASS TEST

- What are functions of central bank?
- What is investment multiplier
- Explain the concept of Quantity theory of money
- Discuss expenditure approach to measure GDP. Why are exports included and imports deducted in this approach
- Explain the two accounts of BOP.

MCQs

- ❖ **Who is credited with bringing the term "the invisible hand" in economics?**
 - a) Adam Smith
 - b) John Maynard Keynes
 - c) F. Hayek
 - d) Samuelson**ANSWER: a) Adam Smith**
- ❖ **Who is called as the 'founding father of modern economics'?**
 - a) Adam Smith

- b) John Maynard Keynes
- c) F. Hayek
- d) Samuelson

ANSWER: a) Adam Smith

❖ **When did the Great Depression hit the United States?**

- a) 2007
- b) 1929
- c) 1936
- d) 2001

ANSWER: b) 1929

❖ **Consider the following statements:**

1. In a Capitalist economy there is private ownership of means of production
2. In a communist nation, the means of production are owned by the State
3. In a free-market economy there is minimum role of the Government

Which of the above 3 statement is/are true?

- a) Only 1 and 3
- b) Only 2 and 3
- c) Only 3
- d) All are true

ANSWER: d) All are true

❖ **Intermediate goods are not included to calculate the final output because:**

- a) they do not have value
- b) they have unknown value
- c) their value is included in final goods so they are not added to avoid the problem of double counting
- d) none of the above

ANSWER: c)

❖ **What does the term Gross investment mean while denoting a nation's economy?**

- a) Gross investment= Net investment + Depreciation
- b) Gross investment= Net investment - Depreciation
- c) Gross investment= Depreciation - Net investment
- d) None of the above

ANSWER: a)

❖ **What is the sum total of gross value added of all the firms in the country minus the depreciation?**

- a) Gross Domestic Product
- b) Gross National Product
- c) Net Domestic Product
- d) Net National product

ANSWER: c) Net Domestic Product

❖ **What is the sum total of gross value added of all the firms in the country added with the net factor income from abroad?**

- a) Gross Domestic Product
- b) Gross National Product

- c) Net Domestic Product
- d) Net National product

ANSWER: b) Gross National Product

❖ **What is the Gross National Product minus the depreciation?**

- a) Gross Domestic Product
- b) Gross National Product
- c) Net Domestic Product
- d) Net National product

ANSWER: d) Net National product

❖ **In terms of economics, what is an "externality"?**

- a) Benefits or harm caused by a firm without payment/penalty
- b) Net income from foreign countries
- c) Total exports by a country in a given year
- d) None of the above

ANSWER: a)

❖ **What is the correct formula for GDP Deflater?**

- a) Nominal GDP - (minus) Real GDP
- b) Nominal GDP + Real GDP
- c) Nominal GDP/ Real GDP
- d) Real GDP/ Nominal GDP

ANSWER: c)

❖ **Friedrich Hayek was a proponent of :**

- a) Keynesian economics
- b) Communism
- c) Classical Liberalism
- d) Socialism

ANSWER: c)

❖ **In the terminology of economics and money demand, the terms M3 and M4 are also known as :**

- a) Short money
- b) Long money
- c) Broad money
- d) Narrow money

ANSWER: c) Broad money

❖ **What is the currency deposit ratio ?**

- a) ratio of money held by the public in currency to that of money held in bank deposits
- b) ratio of money held by public in bank deposits to that of money held by public in currency
- c) ratio of money held in demand drafts to that of money held in treasury bonds
- d) none of the above

ANSWER: a)

- ❖ **What is the reserve deposit ratio?**
 - a) the proportion of money RBI lends to commercial banks
 - b) the proportion of total deposits commercial banks keep as reserves
 - c) the total proportion of money that commercial banks lend to the customers
 - d) none of the above

ANSWER: b)

- ❖ Which of the following groups suffer the most from inflations ?
 - A)Debetors
 - B)Creditors
 - C)Business class
 - D)Govt pensioners

ANSWER b) Creditors

- ❖ **Stagflation implies a case of :**
 - a)galloping inflation
 - b)recession plus inflation
 - c)adverse balance of trade
 - d)rising wages and employment

ANSWER b) recession plus inflation

- ❖ **Inflation can be controlled by:**
 - a) surplus budget
 - b) increase in taxation
 - c) reduction in public expenditure
 - d) all the above

ANSWER: d) all the above

- ❖ **Deficit financing creates additional paper currency to fill the gap between expenditure and revenue. This device aims at economic development but if it fails. It generates:**

- a) Inflation
- b) Devaluation
- c)Deflation
- d)Demonetisation

ANSWER: a) Inflation

- ❖ A steady increase in the general level of prices as a result of excessive increase in aggregate demand as compared to aggregate supply is termed as :

- a)demand –pull inflation
- b)cost push inflation
- c)stagflation
- d)structural inflation

ANSWER: a) demand Pull - Inflation

