M.Com – Part I – Semester – II
Macroeconomics – Concepts and Applications

Objectives Question Bank

Module 1 Aggregate Income and its Dimensions

Q. State whether the following statements are True or False.

1. National income estimate include value of intermediate goods and also final goals.- False
2. GDP includes income earned by national outside the country. – False
3. National income refers to the income of a country for a given period of time, usually a year. – True
4. In the product method national income is estimated by adding the value of all final goods and services produced in a country in a given year. – True
5. In the income method only the incomes that have been earned in return for productive services are included. - True
6. In the national income goods and services not transacted in terms of money are included. –False
7. Income earned by self employed people is called mixed income. – True
8. Under expenditure method income spent on every goods and services is included. – False
9. In national income estimate capital gains are added. – False
10. Gross national product is equal to C+1+G+(X-M) + (R-P). – True
11. GDP includes income earn by all the nationals (citizens). – False
12. GDP – Depreciation = NDP. – True
13. National income at the current price is real income. – False
14. GDP deflator is used to work out real GDP. – True
15. Real interest rate = Nominal rate of interest – Inflation rate. – True
16. PPP is based on the principle of single price. - True
17. Human development index measures the quality of life. – True
18. India is in the group of law developed countries. – False
19. Gender inequality measures progress made by the entire population. – False
20. Multidimensional poverty index brings out the real state of poverty in a country. – True

Q. Select the correct answer and rewrite the statement.

1. What is the total money value of final goods and services produced within the domestic territory of the country during a given year?
   a. GDP b. GNI c. NNI d. None of the above

2. What is the total money value of the goods and services produced by the nationals during a given year?
   a. GNI b. GDP c. NDP d. None of the above

3. How many different methods are used for measuring national income?
   a. Two **b. Three** c. Four d. Six

4. In which of the following method national income is estimated by adding the value of all goods and services produced in a country?
   a. Expenditure b. Income c. Product **d. GNI**

5. In the expenditure method, which of the following types of expenditure on goods and services are included?
   a. final b. all c. intermediate d. intermediate and final

6. Under value added method, national income is measured by adding the value
   a. added at each stage b. of all the inputs and outputs
   c. by adding rent and interest d. by adding profits and wages

7. In developing countries, measurements of national income faces the following problems
   a. Non-monetised sector b. Lack of adequate statistical data
   c. Lack of proper accounting practices **d. All the above**

8. GNP includes
   a. Factoral receipts b. Factoral payments **c. R-P** d. X-M

9. Gross domestic product in a closed economy consist of
   a. C+I+G+(X+M) **b. C+I+G**
   c. C+I+G+(X+M) + (R-P) d. C+I+G+(R-M)

10. Real Income is worked out on the basis of
    a. Current prices **b. Constant price** c. Both d. Fixed Price

11. GDP deflator tells us the
    a. **Nominal progress** b. Real progress
    c. Rate of deflation in the economy d. Inflation rate

12. Real interest rate explains us a change in
    a. Purchasing Power b. Money income c. The rate of inflation d. rate of deflation

13. PPP indicates
    a. Real value b. Nominal value c. Fixed Value d. Flexible Value

14. Human development takes into account
    a. Per capita income b. Life expectation c. Level of literacy **d. All the above**

15. HDR 2016 report ranks in India
    a. 125 **b. 131** c. 134 d. 132

16. HDI value of India in 2016 HDI report
    a. 0.408 b. 0.582 **c. 0.624** d. 0.650

17. India ranks among
    a. High Human Development Group **b. Medium Human Development Group**
    c.Low Human Development Group d. Very high Human Development Group

<u>Module – 2 Keynesian Concepts of Aggregate Demand & Aggregate Supply</u>

Q. State whether the following statements are True or False.

1. The natural rate of unemployment is the normal rate of unemployment around which the unemployment rate fluctuates. – True
2. The Phillips curve shows the long-run trade –off between inflation & unemployment. – False
3. There is a negative correlation between the rate of unemployment & the rate of inflation. – True
4. There is no trade-off between inflation & unemployment in the long run. – True
5. The Phillips curve is horizontal in the long-run. – False
6. Keynes theory is called general theory. – True
7. The aggregate demand function slopes upwards from left to right. – True
8. The aggregate supply function is the minimum amount by the producers in the economy must receive to provide any given level of output. – True
9. The point where the ADF & ASF intersects gives us the equilibrium level of price. – False

10. Inflationary gap exists when there is excess of anticipated expenditure over the available output. - True

Q. Select the correct answer and rewrite the statement.

1. The normal rate of unemployment around which the unemployment rate fluctuate is called
   a. Frictional unemployment **b. Natural rate of unemployment**
   c. Structural unemployment d. Voluntary unemployment.

2. The trade-off between inflation & unemployment is seen in the
   a. developed countries **b. short-run** c. Long-run d. developing countries.

3. The short run trade-off between inflation & unemployment is shown by
   a. Phillips curve b. Keynesian aggregate demand curve
   c. Consumption curve d. Inflationary gap

4. According to which theory the growth in money supply is the primary determinant of inflation
   a. Keynesian b. Phillips **c. Classical.** d. Adam Smith

5. The point when ADF & ASF intersect is called
   a. Total demand **b. Effective demand** c. Equilibrium price d. Inflationary gap

6. According to Keynes in order to increase real income we have to increase aggregate
   a. Supply **b. Demand** c. Unemployment d. Consumption

7. The curve which is a schedule of minimum amount of proceeds required to provide various levels of output is called
   a. **Aggregate supply** b. Aggregate demand c. Unemployment d. Total spending

8. When there is excess of anticipated expenditure over the available output is given rise to
   a. Deflationary gap **b**. **Inflationary gap** c. Underemployed d. Employment gap