Eco assessment

Economics course - internal assessment

Total points   20/20   ?

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✓ An Indian firm has a production unit in France. The output of this unit is   2/2
sold to clients in UK. The output of the unit will be part of GDP of –

◯ India

⦿ France   ✓

◯ UK

✓ In the context of goods market equilibrium, the output/income will increase more when – 2/2

○ government spending is equal to tax collection

○ tax collection is higher than government spending

◉ government spending is higher than tax collection. ✓

✓ People keep more liquid money when – 2/2

○ their income is less

◉ interest rate on bond is low ✓

○ their transaction need is low.

✓ Interest rate in the financial market is determined by the – 2/2

◉ equality of money demand and money supply ✓

○ relationship between bond price and bond yield

○ relationship between money demand and bond demand.

✓ **Which of the following is considered asset of a central bank?**   2/2

○ money in circulation

◉ bonds it holds   ✓

○ money in its custody.

✓ **Which of the following is not a fiscal policy instrument?**   2/2

○ tax

◉ money demand   ✓

○ subsidy

✓ **When central bank undertakes expansionary open market operation –**   2/2

○ interest rate rises

○ bond price falls

◉ interest rate decreases.   ✓

✓ Which of the following would not cause LM curve to shift?   2/2

◯ change in price level

◯ change in nominal money supply

⦿ change in income level.   ✓

✓ Think of the implication of tax increase in an IS-LM framework. The   2/2
increase in tax will lead to –

◯ lower interest rate and higher income

◯ higher interest rate and lower income

⦿ lower interest rate and lower income.   ✓

✓ Which of the following would be called a policy mix?   2/2

◯ increase in government expenditure and increase in tax

⦿ increase in tax and increase in money supply   ✓

◯ increase in tax and increase in subsidy

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