

Sheet 19/10/13  
2013 CC 10/14/13

MINOR-II EXAMINATION, JUL 213  
DEPARTMENT OF HUMANITIES AND SOCIAL SCIENCES  
Maximum Marks- 20 Marks; 6<sup>th</sup> October 2013; Time: 8:00 AM - 9:00 AM

SECTION-A

Multiple Choice Questions (Only one option is correct) [5 Marks]

1. If  $I+G+X > S+T+M$ , then  
a) there is budget deficit  
b) there is trade surplus  
c) there is increase in inventory stocks  
d) there is decrease in inventory stocks  
2. A bank uses Rs.1000 of reserves to make a new loan when the reserve ratio is 20 percent  
a) money supply initially increases by Rs.1000  
b) money supply initially increases by Rs.800  
c) money supply initially increases by Rs.200  
d) money supply initially increases by Rs.5000  
3. Suppose the full-employment level of output is Rs.680, the equilibrium level of output is Rs.600, the MPC is 0.8, MPM is 0.1, and  $t$  is 0.25. Full-employment output can be achieved by:  
a) Rs.20 increase in government spending  
b) Rs.32 increase in government spending  
c) Rs.40 increase in government spending  
d) Rs.40 decrease in lump-sum taxes  
4. If the government attempts to eliminate a budget deficit during a recession, these efforts will  
a) alleviate the recession  
b) intensify the recession  
c) increase inflation  
d) increase investments and exports  
5. If an individual withdraws Rs.500 in cash from his demand deposit in a commercial bank, its immediate effect will be:  
a) increase in money supply  
b) decrease in money supply  
c) no change in money supply

SECTION-B

[4 Marks]

State whether the statement is TRUE or FALSE.

1. An increase in the income tax rate shifts the consumption line downward, makes the consumption line more steeply sloped, and reduces the value of government-expenditure multiplier. False
2. If taxes are given  $T=0.2Y-100$ , rich people pay higher taxes for each rupee of income than poor people. False
3. If the government passes law which forces car manufacturers in India to buy more of their parts from Indian suppliers, equilibrium national product in India will decrease. False
4. The financial assets included in the  $M_1$  definition of money serve as a medium of exchange as well as store of value. True