

**Consumption function established relationship between \_\_\_\_\_ and consumption**

Investment

Demand

**Income**

Savings

3

**Which theory of consumption states that when income declines APC will increase due to ratchet effect**

Absolute income theory of consumption

**relative theory of consumption**

Permanent income theory of consumption

Life cycle theory of consumption

2

**MPC + MPS is \_\_\_\_**

**one**

infinity

zero

more than one

1

**If MPC is zero how much will be the increase in income for an additional investment?**

Zero

**It will be the same as increase in investment**

There is no upper limit for this

The economy will produce less level of income

2

**Given the consumption function  $C = 150 + 0.75 Y$ , if investment increases by 50 crores how much will be rise in national income**

100 crores

50 crores

**200 crores**

250 crores

3

**Flow of goods and services between firms and households are known as**

**Real flow**

Money flow

The flow of capital

Flow of stock

1

**Which of the following is true about the effect of investment multiplier?**

It will depend on MPC and also the tax rate

the value of multiplier will be high if MPC is high

Due to multiplier effect national income will have a many fold increase in economy

**All the given options are true**

4

**Three sector economy consists of**

**Household, firms and Government**

Firms, Government and foreign sector

Household, foreign sector and Government sector

Household, firms and Financial sector

1

**Which of the following explains the meaning of stagflation?**

**It is a combination of inflation and stagnation in growth.**

There is business fluctuation in the economy with high unemployment

It is a situation of high depression

It is period of high business fluctuation.

1

**The term “Green Accounting” was first brought into common usage by economist and Professor in the year 1980s**

**Peter Wood**

Friendman

Duesenberry

Fisher

1

**Net National Income at Factor Cost is called?**

**National Income**

Gross Investment

Domestic Income

Gross Income

1

**Marginal efficiency of capital is determined by the supply price of capital asset and \_\_\_\_\_**

Profits of the firm from business

**Prospective yields from the capital asset**

The depreciation of the capital asset

Total sale of output in the market

2

**Which of the following is not a factor affecting marginal efficiency of capital?**

Changes in demand conditions

Technology and innovations

User cost of capital

**Decision making and planning by the firm**

4

**Definition of money “Money can be defined as anything is generally acceptable” given by**

**Crowther**

Walker

Seligman

Robertson

1

**During inflation who are the gainers?**

Creditors

**Debtors**

No one is gainer

Only farmers are gainers

2

**In post Keynesian theories of consumption, the long run consumption function will start from the point of origin which means \_\_\_\_\_**

Average propensity to consume is less than marginal propensity to consume

Average propensity to consume is more than marginal propensity to consume

**Average propensity to consume is equal to marginal propensity to consume**

Average propensity to consume is equal to marginal propensity to save

3

**Green Accounting is for sustainable development**

industrial development

service sector development

agricultural development

1

**L M Curve slope**

**Upward from left to right**

Downward from left to right

Parallel to OX axis

Parallel to OY axis

1

**Which is the correct full form of GDP from the following?**

Gross domestic purchase

**Gross domestic product**

General domestic purchase

General domestic product

2

**Profitability from investment is stated by Keynes as \_\_\_\_\_**

Marginal efficiency of saving

**Marginal efficiency of capital**

Marginal efficiency of investment

Marginal efficiency of profit

2

**Keynes investment multiplier is important to overcome \_\_\_\_\_**

**Recession**

Inflation

Overshooting

Boom

1

**An example of an income payment is wages which are paid in exchange for human resources**

investment

government spending

consumer spending

1

**Which of the following is not a monetary factor applied to control inflation?**

Rise in Bank rate

**Budget surplus**

Control of consumer credit

Rise in cash reserve

2

**At the point where IS curve and LM curve intersect, which of the following markets are equilibrium?**

**Goods market & Money market**

Goods market and Capital market

Money market & Foreign exchange Market

Capital market and Foreign exchange Market

1

**For Keynesian consumption function of type  $C = 120 + 0.75 Y$ , we can derive the saving function from this as \_\_\_\_\_**

Income and consumption are the same

**Income is divided into consumption and saving or  $Y = C + S$**

Savings are differently determined and it does not depend on income

Income is not always equal to consumption and saving

2

**Which is the correct full form of GNP from the following?**

Gross national purchase

**Gross national product**

General national purchase

General national product

2

**Full form of SEEA is**

**System of Environmental Economic Accounting**

System of Environmental Electronic Accounting

System of Emergency Economic Accounting

System of Earth Economic Accounting

1

**There are two determinants of MEC, one is the cost of capital asset and the other one is**

**Prospective yield of capital asset**

Prospective yield of investment

Prospective yield of capital borrowed

rate of interest

1

**If for a country net factor income from abroad is negative then**

$GDP < GNP$

**$GDP > GNP$**

$GDP = GNP$

$GDP = GNP$

2

**Which of the following is a fiscal measure to control inflation?**

Interest rates are increased

**Increase in personal income tax rates**

Regulation and control of bank credit

Selling government securities in open market

2

**Green accounting also known as**

**Environmental accounting**

Waste management accounting

Solar management accounting

Agriculture management accounting

1

**Which of the following will cause the LM curve to shift to the right?**

**Increase in money supply**

Decrease in money supply

An increase in rate of interest

Decrease in the Government Expenditure

1

**In the equation  $C_p = K Y_p$ , the  $C_p$  stands for?**

Permanent capital

**Permanent consumption**

Consumer

Permanent Cash Reserve ratio.

2

**There can be only combination of the rate of interest and the \_\_\_\_\_ where goods market & money market are in equilibrium at the same time.**

Real Income

Gross Income

**National Income**

Family Income

3

**Keynes psychological law of consumption states that \_\_\_\_\_**

As income increases both savings and consumption will increase

Savings will increase in a larger proportion than consumption

Neither savings nor consumption will decrease when income increases

**All given options are true**

4

**Value of investment multiplier is equal to \_\_\_\_\_**

Reciprocal of marginal propensity to consume

**Reciprocal of marginal propensity to save**

Reciprocal of average propensity to consume

The sum total of average propensity to consume and save

2

**Accounting of National Income at constant prices is known as \_\_\_\_\_**

Money income

**Real income**

Current income

Domestic income

2

**Which one out of the following is least liquid among the measures of money supply?**

M1

M2

M3

**M4**

4

**According to Keynes Investments will increase when \_\_\_\_**

**MEC > Rate of interest**

MEC < Rate of interest

Rate of interest > MEC

MEC = Rate of interest

1

**Under which situation there is a falling rate of output, Income and Prices?**

Inflation

**Deflation**

Peak

Prosperity

2

**Value of the acceleration co-efficient depends upon?**

**Capital out-put ratio**

Capital Interest ratio

Interest Investment ratio

Income Investment ratio

1

**The effectiveness of multiplier is due to the fact that \_\_\_\_**

The existing capacity of consumer goods sector is fully utilised

**There is an excess capacity in consumer goods sector**

there is an increasing demand for capital goods to be produced

Both consumer and capital goods sectors are to be fully utilised

2

**Investment demand curve is \_\_\_\_ related to rate of interest**

Directly

**inversely**

equally

positively 2

**The trough of a business cycle occurs when \_\_\_\_ hits its lowest point.**

Inflation

**aggregate economic activity**

the money supply

the unemployment rate

2

**Which one of the following is not the function of Money?**

Medium of exchange

**Allocation of Resources**

Store of value

Money as a unit of Measurement

2

**Which of the following curve explains inverse relationship between rate of unemployment and inflation rate?**

Locus curve

**Philips curve**

LM curve

IS curve

2

**Green accounting is not accounts for population**

Depletion of natural resources

Costs of environmental degradation

Pollution

1

**Who developed the concept of relative income Hypothesis?**

**James Duesenberry**

Milton Friedman

Alpert Ando

Marshall

1

**What relationship states by life cycle hypothesis?**

Income saving relationship

**Income consumption relationship**

Investment saving relationship

Investment consumption relationship

2

**Which of the following clearly describes the 'Recession' phase in a trade cycle**

**Recession is a phase where economy is at its lowest in years.**

Recession is a phase with improving economic growth and slow improvement in income, employment as well as demand.

Recession is a phase with fast economic growth, but very slow increase in employment and income.

Recession is a phase with slowdown in economic growth, employment and income, due to inadequate demand.



1

**The main determinants of investment in Keynesian theory is \_\_**

Rate of interest

Only MEC

Investor's decision

**MEC and Rate of interest**

4

**According to Keynes wages are not only cost of production but also \_\_\_\_\_**

savings for workers

**Income of the workers**

Bonus of the workers

Reward for the workers

2

**Suppose a net increase in consumption outlay of Rs. 100 Crores leads to net increase in investment of 400 crores, then what is the acceleration co-efficient.**

40

40000

**4**

500

3

**Prof James Duesenberry discussed on which effect?**

Income effect

**Ratchet effect**

Price effect

Interest effect

2

**Peaks and troughs of the business cycle are known collectively as**

**turning points**

instability

equilibrium points

real business cycle events

1

**Keynesian theory of employment gives emphasis to \_\_ in determination of national income and employment**

**Aggregate Demand**

Aggregate supply

Only consumption

only multiplier

1

**Which of the following is just opposite of deflation?**

**Inflation**

Disinflation

Anti-inflation

Reflation

1

**When depreciation is deducted from GNP the net value is**

Net domestic product

Gross national product

Disposable income

**Net national product**

4

**Interest is due to parting with \_\_\_\_\_**

Savings

Income

Leisure

**Liquidity**

4

**What is stagflation?**

A situation in which the economy experiences recession.

**A situation in which the economy has inflation and high unemployment**

An economy where unemployment is low

An economy where demand is high

2

**If exports of a country will increase which of the following curve will shift?**

LM curve will shift left ward

IS curve will shift left ward

**IS curve will shift to the right**

Both IS & LM curve will shift right ward

3

**The low point in the business cycle is referred to as the**

**Trough**

Peak

Expansion

Contraction

1

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**Recession is a phase where economy is at its lowest in years.**

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Recession is a phase with slowdown in economic growth, employment and income, due to inadequate demand.

1

**According to life cycle hypothesis current consumption is,**

**A function of the present value of the resources accruing to him over his entire life span**

A function of an individual's current income

A function of current income

A function of a current Investment

1

**"Too much money chasing too few goods" is applied to \_\_\_\_**

Deflation

stagflation

**Inflation**

Reflation

3

**Who Introduced accelerator principle?**

Prof. Marshal

Ricardo

Heckscher Ohlin

**J.M. Clark**

4

**when people do save for unforeseen contingency like sickness and unemployment it is a \_\_\_\_ factor detremining consumption function**

Objective

**Subjective**

Important

less important

2

**Which of the following is not a type of cost push inflation?**

**Factors like excessive government expenditure**

Rawmaterial push factors

Wage push factors

Profit push factors

1

**According to James Duesenberry the ratio of income consumed by an Individual depends on?**

Current Income

**Relative Income**

Absolute Income

National Income

2

**Two-sector economy consists of**

Firms and Government

Household and Government

**Household and firms**

Household and foreign sector

3

**Calculation of National Income at Market Prices is known as ----**

**Money income**

Real Income

Non-monetary income

Non real income

1

**Which is the correct full form of NNP from the following?**

**Net national product**

Net national purchase

New national product

New national purchase

1

**Which among the following is known as Narrow Money?**

**M1**

M2

M3

M4

1

**Choose from following options to describe about "Recovery" phase of a trade cycle.**

Recovery is a period when, after a period of rapid economic growth, economic growth, employment and output starts declining.

**Recovery is a phase when the economy picks up momentum in economic growth, income and employment, after having gone through a period of slow down.**

Recovery is a period when economic growth, employment and income increases rapidly.

Recovery is a period when economy declines at a very rapid rate.

2

### **IS Curve slope**

Upward from left to right

**Downward from left to right**

Parallel to OX axis

Parallel to OY axis

2

### **Based on which principle an increase in demand for output will increase investment in capital goods?**

Multiplier

**Acceleration**

Effective demand

Supply Theory

2

### **The green accounting formula is**

**EDP = Net Exports + C + NAp. ec + (NAnp.ec - NAnp.n)**

GDP = Net Production + C + NAp. ec + (NAnp.ec - NAnp.n)

EDP = Net imports + C + NAp. ec + (NAnp.ec - NAnp.n)

EDP = Net Expenditure + C + NAp. ec + (NAnp.ec - NAnp.n)

1

### **What is a trade cycle?**

A trade cycle refers to fluctuations in economic activities in employment, output but not in income, prices, profits.

**A trade cycle refers to fluctuations in economic activities specially in employment, output and income, prices, profits.**

A trade cycle refers to fluctuations in economic activities specially in prices, profits but no change in employment, output and income.

None of the above

2

### **In Cambridge approach to demand for money which function of money is assigned importance?**

**store of value**

Transaction function

Medium of exchange

Medium for saving income

1

### **According to \_\_\_\_\_ the main determinant of investment is MEC rather than rate of interest.**

Classical economists

J B Say

Adam Smith

**J M Keynes**

4

**In the equation  $C_t = K V_t$ , the  $C_t$  stands for?**

Current capital

**Current consumption by the individual**

Cash by Individual

Credit by Individual

2

**In which hypothesis of consumption savings are dissavings are the same at the time of death of the person?**

**Life cycle Hypothesis**

relative income hypothesis

Permanent income hypothesis

All the given options are true

1

**$C = f(Y)$  stands for what \_\_\_\_**

Investment function

Saving function

Income function

**Consumption function**

4

**When aggregate economic activity is increasing the economy is said to be in**

an contraction

a peak

**an expansion**

a turning point

3

**Households and \_\_\_\_ are the sectors in a two sector economy circular flow of income**

Government

Family

Exports and imports

**Firms**

**Which one is true from the following?**

$GNP = GDP + Depreciation$

$NNP = GNP + Depreciation$

**$NNP = GNP - Depreciation$**

$GNP = NNP - Depreciation$

3

**C + I + G stands for \_\_\_\_\_**

National expenditure

**National aggregate expenditure in a closed economy**

National income in open economy

National income of the country with net foreign earnings

2

**Which is the correct full form of NDP from the following?**

**Net domestic product**

Net domestic purchase

New domestic purchase

New domestic product

1

**Who has developed a linear consumption function with decrease in APC when income increases although MPC is constant?**

Milton Friedman

Duesenberry

Modigliani

**J M Keynes**

4

**Consumption expenditure of an individual will depend on relative and not absolute income changes is said by \_\_\_\_\_ theory**

Absolute income theory of consumption

**relative theory of consumption**

Permanent income theory of consumption

Life cycle theory of consumption

2

**Which one out of the following is most liquid among the measures of money supply?**

**M1**

M2

M3

M4

1

**Which among the following is/are known as Broad Money?**

M1

**M2**

M3

M4

2

**Consumption expenditure of an individual will depend on relative and not absolute income changes is said by \_\_\_\_\_ theory**

Absolute income theory of consumption

**relative theory of consumption**

Permanent income theory of consumption

Life cycle theory of consumption

2

**Accelerator will be working in generating more investment in the economy only when \_\_**

There is no excess capacity in capital goods industries

**There is no excess capacity in consumer goods industries**

There is excess capacity in consumer goods industries

There is excess capacity in capital goods industries

2

**Which is the correct formula for calculating the M2?**

**M1 + Savings deposits of post office savings banks**

M3 + Savings deposits of post office savings banks

M2 + Savings deposits of post office savings banks

M1 + Savings deposits with banks

1

**While multiplier show effect of investment on income and consumption accelerator shows the effect of \_\_\_\_**

**changes in consumption on investment**

Changes in demand for consumer goods

Changes in savings

Changes in production of output

1

**if the saving function is  $S = -150 + 0.2 Y$ , What is MPC?**

0.2

0.5

**0.8**

1

3

**The average number of times a unit of money changes hands that is call**

**Velocity of circular of money**

Velocity of international money

Circular flow of national income

Circular flow of income

1



**The market value of all final goods and services produced in an economy over a year is called?**

Gross National Product

National Income

**Gross Domestic Product**

Net National Product

3

**Which of the following is correct about effective demand given by Keynes?**

It is determined at the point of full employment

At this point of effective demand underemployment or unemployment are logically impossible

**At the point of effective demand there can be a possibility of some amount of unemployment of labour**

There is no difference between Effective demand and natural rate of unemployment

3

**The equilibrium level of investment is determined at the point where marginal efficiency of capital is equal to \_\_\_\_\_**

Profits at the market rate of interest

Total sale proceeds of the firm

**Market rate of interest**

The cost of capital project

3

Accelerator is a \_\_\_\_\_

Keynesian concept

classical concept

**Post-Keynesian concept**

Pre-keynesian concept

3

**In acceleration theory C stands for?**

Consumption

Capital

**Net change in consumption**

Net change in capital

3

**The implication of Keynes liquidity trap is that \_\_\_\_\_**

Demand for money is directly related to rate of interest

The demand for money curve under speculative motive will slope downward

**The rate of interest can never be zero**

The rate of interest will depend on money supply

3

**Which liquidity motive in Keynes theory of rate of interest is interest-elastic and income-inelastic?**

Transaction motive of demand for money

Precautionary motive of demand for money

**Speculative motive of demand for money**

Both Transaction and Precautionary motive of demand for money

3

**If the MPC is 0.8, an increase of investment by 100 crores will lead to an additional income of \_\_ crores**

100

200

**500**

800

3

**If the value of accelerator is 3, how much will be the increase in investment on capital goods when economy has to produce 200 additional output to meet new demand**

200

500

700

**600**

4

**Accelerator is the ratio of \_\_\_\_\_**

**Change in investment to change in income**

Change in income to change in investment

Change in investment to change in government expenditure

Change in private investment to change in private consumption

1

**What is the characteristic feature of "Prosperity" phase in the trade cycle?**

It is a phase involving increase in economic growth, employment and income.

**It is a phase involving increase in GDP and prices but without growth in employment.**

It is a phase involving increase in, employment and income without economic growth.

It is a phase involving decrease in economic growth, employment and income.

2

**The value of multiplier is the inverse of \_\_\_\_\_**

**Marginal propensity to save**

Marginal propensity to invest

Marginal propensity to consume

Marginal propensity to demand

1

**What is one of the most important leakage of the investment multiplier of Keynes?**

Consumption

Demand

**Savings**

Inventories

3

**The limits within which multiplier will lie is \_\_\_\_\_**

Zero to one

Minus one to plus one

**One to infinity**

Zero to infinity

3

**Which type of the following investment does not depend on the level of income?**

Induced investment

Private investment

Corporate investment

**Autonomous investment**

4

**LM curve shows the different points of equilibrium achieved in the?**

Goods market

Equity market

**Money market**

Capital market

3

**If the Keynesian consumption function is  $C = 120 + 0.8 Y$ , where  $Y$  = national income and  $C$  = aggregate consumption, what is the value of marginal propensity to save?**

0.8

0.1

**0.2**

0.5

3

**When marginal propensity to consume is 0.8, what will be the value of investment multiplier as given by Keynes?**

3

4

**5**

6

3

**Who describes stagflation as the paradox of rise in prices with increasing rate of unemployment?**

Keynes

P.R. Brahmada

**Paul samuelson**

R.P. Kent

3

**Demonstration effect is explained in which theory of consumption?**

**Absolute income theory of consumption**

Permanent income theory of consumption

Life cycle theory of consumption

**Relative income** theory of consumption

4

**Who said that in the long run we are all dead?**

Alfred Marshall

Milton Friedman

**J M Keynes**

A C Pigou

3

**Flow of factor of production between firms and households are**

**Money flow**

Real flow

The flow of capital

Flow of stock

1

**Keynes consumption function is linear and starts from \_\_\_\_\_**

**A point above origin due to intercept**

Starts from zero and slopes upward

Any point on Y-axis

Any point on X-axis

1

**In absolute income theory of consumption, the aggregate consumption expenditure will depend on \_\_\_\_\_**

Last year's level of income

**Current level of income**

Relative income

Permanent income

2

**Life cycle hypothesis is later developed by whom?**

Milton Friedman

Keynes

**Brumberg**

Duesenberry

3

**In Keynesian theory of employment, equilibrium level of income and employment are determined at the point where \_\_\_\_**

Demand and supply are equal

**Aggregate demand function is equal to aggregate supply function**

Aggregate demand is larger than aggregate supply

The money market is in equilibrium

2

**Which one is included in National Income?**

Rent, Wage, Interest

Rent, Wage, Salary

Rent, Profit, Interest

**Rent, Wage, Salary, Interest, Profit**

4

**Who among the following is not associated with cash balance approach?**

Alfred Marshall

A C Pigou

J M Keynes

**Milton Friedman**

4

**According to whom the trade cycles occur due to fluctuation in aggregate economic activity?**

**Mitchell**

Adam Smith

JM Keynes

Schumpeter

1

**Keynes consumption function is a linear one and it starts from \_\_\_\_**

A point on Y - axis from zero

A point on X-axis

**A point on Y - axis above origin**

At any point on Y - axis

3

**Who was the first to introduce circular flow of income ?**

Alfred Marshall

A C Pigou

M Friedman

**J M Keynes**

4

**In which year does Reserve Bank of India introduced the concept of classification of money into M1, M2, M3 and so on?**

1955

1966

1988

**1977**

4

**Irving Fisher has developed which approach to quantity theory of money?**

Cash demand approach

Liquidity preference approach

**Cash transaction approach**

Cash Balance approach

3

**Demand and supply management are essential during \_\_\_\_\_**

Buisness growth

unemployment

**Inflation**

Normal time period

3

**Which one of the following is not a method of estimating National Income?**

Expenditure Method

Green Accounting Method

Income Method

**Matrix Method**

4

**In Keynesian theory the formula used to determine MEC is \_\_\_\_\_**

Cost price = discounted prospective yields

Demand price = discounted prospective yields

**Supply price = discounted prospective yields**

Market price = discounted prospective yields

3

**If price level is doubled the value of money is \_\_\_\_\_**

Increased

Doubled

**Halved**

Remain the same

3

**Which of the following is not an injection into the circular flow of income?**

Spending on export

Spending by firms on investment

Spending by Government on goods and services

**Spending on imports**

4

**Which of the following is NOT assumption of principles of accelerator?**

Capital output ratio is constant

There is no excess capacity in the consumer goods industry

There is excess capacity of capital goods in industry

**Labour are not easily available**

4

**Which curve explains equilibrium in goods market?**

L M Curve

Liquidity preference curve

**I S Curve**

Effective Demand Curve

3

**APC + APS is equal to \_\_\_\_**

zero

positive

negative

**one**

4

**Deflation is the condition of?**

Rising prices

Rising Inflation

Rising Reflation

**Falling Prices**

4

**Which curve is also the demand for money curve in Keynesian theory of interest?**

Income consumption curve

Philips curve

Liquidity demand curve

**Liquidity preference curve**

4

**Who gave the concept of permanent Income hypothesis?**

Franco Modigliani

Prof Pigou

**Milton Friedman**

James Duesenberry

3

**Which of the following benefits during deflation?**

Debtors

Business class

**Salaried class**

Investors in shares

3

**The acceleration co-efficient shows**

The effect of change in investment on income

The effect of change in income on investment

**The effect of change in Investment on consumption**

The effect of change in Investment on savings

3

**Which of the following is NOT use as measures to control inflation?**

Monetary measures

Fiscal measures

Public Investment

**Non performing Investment**

4

**Symbolically accelerator co-efficient is shown as?**

$C/Y$

$Y/I$

$I/C$

$I/S$

3

**What do you mean by Gross National Product?**

The total value of goods and services produced in the country

The total value of all transactions in the country

Depreciation in the total value of goods and services produced in the country

**The total value of goods and services produced in the country and net factor income from abroad**

4

**Who developed an economic concept, Philips curve?**

Prof Keynes

Robertson

Louis Philippe



A.W. Phillips

4

**The ratio of change in consumption to change in income is called \_\_\_\_\_**

Average propensity to consume

Average propensity to save

**Marginal propensity to consume**

Marginal propensity to save

3

**Which of the following is not an objective factor determining consumption function?**

Changes in price level

Changes in rate of interest

Changes in fiscal policy

**More savings are generated to meet unforeseen contingencies**

4

**Which one of the following is represented by M3?**

M1 + post office savings bank deposits

Currency with the public + demand deposits with banks

M2 = -post office savings bank deposits

**M1 + time deposits with banks**

4

**Transitory Income means?**

Permanent income

Family's actual income

National Income

**Not Permanent Income**

4

**In acceleration theory I mean?**

Investment

Income

Net change in income

**Net change in Investment**

4

**Which of the following are 4 phases of trade cycle?**

**Boom, Slowdown, Recession, and Depression**

Recovery, Boom, Prosperity and Recession

Recovery, Boom, Prosperity and Depression

Recovery, Boom, Recession, and Depression

1

**Which of the following hypothesis is NOT included under consumption behavior?**

Relative income hypothesis  
Permanent income hypothesis  
Life cycle hypothesis

**Null hypothesis**

4

**The concept of effective demand is developed by \_\_\_\_\_**

J B Say  
Milton Friedman

**J M Keynes**

Modern economists

3

**Which of the following can be written at  $C_p = K Y_p$ ?**

Life cycle hypothesis  
Relative Income hypothesis  
Current Income hypothesis

**Permanent Income hypothesis**

4

**Exports and imports are included in the circular flow of income in \_\_\_\_\_ economy**

Closed

**Open**

Mixed  
Capitalist

2

**In circular flow of economic activity there are two different flows, money and \_\_\_\_ flow**

Resource

Cash

**Real**

Service

3

**Which of the following is not included in the component of aggregate demand?**

Aggregate consumption  
Aggregate investment  
Government expenditure

**Domestic savings**

4