

Concept of Economics - Tutorial 04

1. Which of these is an economic activity

- a) A father teaching his son at home instead of sending to any coaching centre
- b) A hair dresser doing hair cut designing on payment
- c) A housewife mending her family cloths on her own
- d) A singer giving a show on his son's wedding anniversary

2. If the number of people classified as unemployed is 20,000 and the number of people classified as employed is 230,000, what is the unemployment rate?

- a) 8%
- b) 8.7%
- c) 9.2%
- d) 11.5%

3. It is often true that as the economy begins to recover from a recession, the unemployment rate rises. Which of the following statements would be the best explanation for this?

- a) The demand for goods and services falls, so the demand for workers falls.
- b) Workers who were previously discouraged about their chances of finding a job begin to look for work again.
- c) Because of errors in the way the data are collected.
- d) Firms do not immediately increase the number of workers they hire. Firms wait to hire more individuals until they are convinced that the recovery is strong.

4. National Income accounts for changes in the price level through the use of:

- a) Real GDP
- b) Nominal GDP
- c) Net GDP
- d) Disposable Income.

5. When economists refer to "tight" monetary policy, they mean that the Reserve Bank of India is taking actions that will

- (a) increase the demand for money.
- (b) decrease the demand for money

(c) expand the supply of money

(d) contract the supply of money

6. An increase in total production (real GDP) causes the demand for money to ____ and the interest rate to ____.

- (a) increase; increase
- (b) increase; decrease
- (c) decrease; decrease
- (d) decrease, increase

7. Which of the following actions is an example of expansionary fiscal policy?

- (a) a decrease in welfare payments
- (b) a purchase of government securities in the open market
- (c) a decrease in the Bank rate
- (d) a decrease in the corporate profits tax rates

8. Macroeconomics is concerned with

- a) Only long-run trends in economic activity.
- b) Only short-run fluctuations in the business cycle.
- c) Both long-run trends and short-term fluctuations in economic activity.
- d) Only with changes in the overall price level.

9. The difference between Gross National Product (GNP) and Gross Domestic Product (GDP) is

- (a) Excess of subsidies over indirect taxes ;
- (b) Depreciation ;
- (c) Net foreign income from abroad
- (d) Excess of indirect taxes over subsidies

10. When the economy is facing high inflation, the government should

- a) Increase spending and taxation
- b) Reduce spending and taxation
- c) Increase spending and reduce taxation
- d) Reduce spending and increase taxation

11. In the context of national income, the term "double counting" refers to:

- a) Counting the same income twice in different categories
- b) Counting both nominal and real GDP

- c) Counting imports and exports together
- d) Counting government expenditures and private investments together

12. A reasonable measure of the standard of living in a country is:

- a) Real GDP per person.
- b) Real GDP
- c) Nominal GDP per person
- d) The growth rate of nominal GDP per person.

13. Which of the following is a better measure of economic development?

- a. National income
- b. Rural consumption
- c. Size of exports
- d. Employment

14. RBI check inflation by

- (a) Increasing bank rate ;
- (b) Increasing CRR ;
- (c) Both ;
- (d) None.

15. If RBI wants to decrease the money supply in order to check inflation it will

- (a) Sell bonds ;
- (b) Increase CRR ;
- (c) Hike bank rate ;
- (d) All or any of the above three

16. If the country is passing through recession, the RBI would

- (a) buys government bonds in the open market
- (b) Reduce CRR ;
- (c) Ease out bank rate ;
- (d) All or any of the above three

17. Which of these would lead to fall in demand for money?

- (a) Inflation ;
- (b) Increase in real income ;
- (c) Increase in real rate of interest ;
- (d) Increase in wealth

18. Demand pull inflation rises due to

- (a) Persistent rise in factor cost ;
- (b) Mismatch between demand and supply of commodities
- (c) Combine phenomena of demand pull and cost-push inflation. ;
- (d) Increase in Price of precious metal

19. Cost push inflation arises due to

- (a) Persistent rise in factor cost ;
- (b) Mismatch between demand and supply of commodities
- (c) Combine phenomena of demand pull and cost-push inflation. ;
- (d) Increase in price of precious metal

20. The sale of government securities by the Reserve Bank of India in the open market is predicted to

- a. decrease reserves of the commercial banks, and eventually lead to an expansion of the money supply.
- b. decrease reserves of the commercial banks, and eventually cause a contraction of the money supply.
- c. increase reserves of the commercial banks, and eventually cause a contraction of the money supply.
- d. increase reserves of the commercial banks, and eventually cause an expansion of the money supply.

