

**UNIVERSITY OF CALICUT SCHOOL
OF DISTANCE EDUCATION BA
ECONOMICS
IV SEMESTER CORE COURSE
(2011 & 2013 Admission)
MACRO ECONOMICS II**

QUESTION BANK

1. Which one of the following is related to the commodity money
 - (a) Stones
 - (b) Cattles
 - (c) Grains
 - (d) All of the above
2. Which of the following is not related to commodity money
 - (a) All commodities were not uniform in quality
 - (b) It is difficult to store and prevent the loss of value
 - (c) They lacked portability
 - (d) There was no problem of coincidence of wants
3. Find the odd man out with reference to money
 - (a) Copper
 - (b) Silver
 - (c). Cattles
 - (d) Gold
4. Match the following

A	B
1. (i) Commodity money	(i) Currency
2. (ii) Metallic money	(ii) Cheque
3. (iii) Paper money	(iii) Gold
4. (iv) Credit money	(iv) Bows and arrows

Codes;

 - (a) (i) (ii) (iii) (iv)
 - (b) (i) (iii) (ii) (iv)
 - (c) (iv) (iii) (ii) (i)
 - (d) (iv) (iii) (i) (ii)
5. Which of the following is not correctly matched
 - (a) Bows and arrows – used as money in the hunting society
 - (b) Cattles – used as money in the pastoral society
 - (c) Grains – used as money by the agricultural society
 - (d) Gold and silver coins – used as money in which the face value is greater than its intrinsic value

6. Assertion (A): Necessity led to the invention of money
Reason(R) : Barter system failed to perform the major functions of money
(a) (A) is true but (R) is false.
(b) Both (A) and (R) are false
(c) Both (A) and (R) are true and (R) is the correct explanation of (A)
(d) Both (A) and (R) are true but (R) is not the correct explanation of (A)
7. Which one of the following is an example of “fiat money”
(a) Precious stones (b) Grains
(c) Gold coins (d) Currency notes
8. In the case of paper currency
(a) Intrinsic value and face value are equal
(b) Intrinsic value is less than face value
(c) Intrinsic value is greater than face value
(d) None of the above
9. ----- is not an example of ‘near money’
(a) Bill of exchange (b) Treasury bills
(c) Bonds (d) Currency notes
10. Which of the following is a primary function of money
(a) Measure of value (b) Store of value
(c) Standard of deferred payments (d) Basis of credit
11. The most liquid form of all assets is
(a) Bonds (b). Debentures
(c) Bill of exchange (d) Currency notes
12. In India the standard money is
(a) Gold coins (b) Rupee
(c) Dollar (d) Paisa
13. In the case of a ‘full bodied money’
(a) Intrinsic value is less than face value
(b) Intrinsic value is equal to face value
(c) Intrinsic value is greater than face value
(d) None of the above
14. In the case of a ‘token money’
(a) Face value is less than the metal value
(b) Face value is equal to the metal value
(c) Face value is greater than the metal value
(d) None of the above
15. Demand for money arises from
(a) Money acts as a medium of exchange
(b) Money acts as a store of value
(c) Both A and B
(d) Neither A nor B
16. People are said to be suffered from “money illusion” since

- (a) People merely consider with nominal money holdings
 (b) People consider the real money balances
 (c) Both A and B
 (d) None of the above
17. Which of the following is a concept of 'broad money'
 (a) M1 (b) M2
 (c) M3 (d) All of the above
18. In the Quantity Theory of Money Fischer states that, while other things remains the same,
 (a) Price level varies directly with the quantity of money
 (b) Price level varies inversely with the quantity of money
 (c) Value of money varies directly with the quantity of money
 (d) None of the above
19. Inflation is a situation where
 (a) Prices are falling (b) Value of money is falling
 (c) Value of money is rising (d) All of the above
20. In the case of 'creeping inflation' prices are rising at
 (a) Less than 3% per month (b) Less than 3% per annum
 (c) Around 5% per month (d) Around 5% per annum
21. Match the following
- | A | B |
|-------------------------|------------------------------|
| (i) Creeping inflation | (i) 20 - 100 % per annum |
| (ii) Walking inflation | (ii) 10 - 20 % per annum |
| (iii) Running inflation | (iii) 3 - 10 % per annum |
| (iv) Hyper inflation | (iv) Less than 3 % per annum |
- Codes;
 (a) (i) (ii) (iii) (iv) (b) (i) (iii) (ii) (iv)
 (c) (iv) (iii) (ii) (i) (d) (iv) (iii) (i) (ii)
22. 'Stagflation' is a situation where the economy faces
 (a) Inflation (b) Stagnation
 (c) Inflation as well as stagnation (d) None of the above
23. Match the following
- | A | B |
|---------------------------|--|
| (i) Open inflation | (i) Wage – price structure are inflexible downward |
| (ii) Suppressed inflation | (ii) Monopoly power |
| (iii) Mark-up inflation | (iii) Monetary measures |
| (iv) Ratchet inflation | (iv) Free play of market forces |
- Codes;
 (a) (i) (ii) (iii) (iv) (b) (i) (iii) (ii) (iv)
 (c) (iv) (iii) (ii) (i) (d) (iv) (iii) (i) (ii)
24. Cost – push inflation arises due to
 (a) Rise in wages (b) Rise in profit
 (c) Rise in the prices of raw materials (d) All of the above

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25. Which of the following is not a function of a commercial bank
(a) Accepting deposits (b) Issuing currency
(c) Advancing loans (d) Credit creation
26. The RBI set up in the year
(a) 1921 (b) 1935
(c) 1947 (d) 1951
27. Which of the following represents the major functions of the central bank
(a) Note issuing agency (b) Controller of credit
(c) Banker to the government (d) All of the above
28. Find the odd man out
(a) Bank rate policy (b) Taxation
(c) Open market operation (d) Variable reserve ratio
29. Bank rate refers to
(a) Discount rate (b) Market rate
(c) Rediscount rate (d) None of the above
30. Open market operation influences
(a) The reserves of commercial banks (b) The market rate of interest
(c) Both A and B (d) None of the above
31. Which of the following is an anti-deflationary monetary policy
(a) Purchase of government securities from commercial banks and from the public
(b) Sale of government securities from commercial banks and from the public
(c) Raising the cash reserve ratio
(d) All of the above
32. Let the cash reserve ratio is 12%. Then the value of credit multiplier will be
(a) 8.0 (b) 8.3
(c) 10 (d) 12
33. Which of the following is not a measure of selective credit control
(a) Variable reserve ratio (b) Regulation of margin requirements
(c) Regulation of consumer credit (d) Rationing of credit
34. Inflation represents:
(a) fall in price level (b) increase value of money
(c) decrease value of money (d) None
35. Who told Inflation is too much of money chasing too few goods:
(a) Coulbourn (b) Keynes
(c) Friedman (d) Samuelsson
36. Among the following which is not a feature of inflation?
(a) long term process (b) state of disequilibrium
(c) dynamic in nature (d) non monetary phenomenon.
37. Deflation means:
(a) falling price level (b) rise in price level
(c) increase value of money (d) None
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38. The term Stagflation is coined by:
(a) Keynes (b) Friedman
(c) Samuelsson (d) Brahmananda
39. When prices of only few commodities rise
(a) Sporadic Inflation (b) suppressed inflation
(c) open inflation (d) creeping inflation
40. Which is the slowest inflation?
(a) Walking inflation (b) running inflation
(c) Creeping inflation (d) moderate inflation
41. The rate of inflation in walking inflation is:
(a) between 3to 10 % (b) below 3 %
(c) More than 10% (d) More than 3%
42. Price rise in every second is referred as
(a) Running inflation (b) Galloping inflation
(c) Walking inflation (d) Hyper inflation
43. Inflation due to hoarding
(a) Credit inflation (b) Scarcity inflation
(c) Profit inflation (d) None
44. Inflation due to increase in price of industrial products is known as:
(a) Pricing power inflation (b) Profit inflation
(c) Sectoral inflation (d) None
45. Oil price rise is an example for:
(a) Sectoral inflation (b) Demand pull inflation
(b) Development inflation (d) Pricing power inflation
46. Demand inflation is due to:
(a) cost hike (b) excess demand
(b) excess cost (d) All
47. Cost push inflation can be controlled mainly by
(a) Fiscal policy (b) Monetary policy
(b) Administrative policy (d) All
48. The quantity theory of money was developed by:
(a) Marshall (b) Keynes
(b) Ricardo (d) Fisher
49. Only Money Matters is Propounded by:
(a) Keynesians (b) Monetarists
(c) Classical (d) Neo-Classical
50. Sacrifice ratio measures :
(a) Output lose (b) profit lose
(c) Income lose (d) None
51. WPI is used for policy making at:
(a) Micro level (b) Macro level
(b) Both (d) None

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52. The current base year in India for the measure of inflation is:
(a) 2004-05 (b) 1993-94
(c) 1981-82 (d) None
53. The Working Group for the Revision of Wholesale Price Index Number headed by :
(a) Prof. Abhijit Sen (b) Kelkar
(c) Ahluwalia (d) Tarapore
54. The headline inflation in India is measured in:
(a) WPI (b) CPI
(c) GDP Deflator (d) All
55. The working group in India include in the age:
(a) 14 to 55 (b) 15 to 59
(c) 20 and above (d) 25 and above
56. The main type of an employment referred by the Classical:
(a) Voluntary (b) Involuntary
(c) Both (d) None
57. The main type of an employment referred by the Keynesian:
(a) Voluntary (b) Involuntary
(c) Both (d) None
58. The main type of an employment referred by the Post-Keynesians:
(a) Voluntary (b) Involuntary
(c) Natural rate (d) None
59. The concept of disguised unemployment is developed by:
(a) Keynes (b) Adam Smith
(c) Nurkse (d) Samuelsson
60. Main reason for frictional unemployment is :
(a) Lack of opportunities (b) Low wage
(c) High cost (d) Market imperfection
61. Okun's law related with :
(a) Unemployment and growth rate (b) Inflation and growth rate
(c) wage lose (d) None
62. The the term Stagflation is coined by:
(a) Samuelson (b) Iain Macleod
(c) Keynes (d) None
63. Long run Phillips Curve is :
(a) Parallel (b) Horizontal
(c) Vertical (d) Kinked
64. In business cycle, depression is followed by:
(a). Boom (b) Recovery
(c) Recession (d) None of the above
65. A business cycle has:
(a) Three phases (b) Four phases
(c) Five Phases (d) Six phases
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66. Open market operations refer to the sale and purchase by the RBI of :
- (a) Gold
 - (b) Foreign exchange
 - (c) Government securities
 - (d) All the above
67. Which of the following is not an objective of monetary policy?
- (a) Price stability
 - (b) Balance of Payments equilibrium
 - (c) Economic growth
 - (d) Reduction in export
68. Which of the following is not a quantitative credit control measure?
- (a) Bank rate
 - (b) Cash reserve ratio
 - (b) Regulation of margin requirement
 - (d) Open Market operation
69. Which of the following is not an element of high Powered money?
- (a) Currency
 - (b) Repos
 - (c) Required Reserves
 - (d) Excess reserves
70. The ratio of money supply to high powered money is:
- (a) SLR
 - (b) CRR
 - (c) Money Multiplier
 - (d) Bank rate
71. Monetary Policy refers to the policy of the:
- (a) Government
 - (b) Central Bank
 - (c) Money lenders
 - (d) Private Entrepreneurs
72. Which of the following is an example of qualitative credit control measure?
- (a) Variable reserve ratio
 - (b) Prescribing margin requirements
 - (c) Discriminatory taxes
 - (d) Open market operations
73. Fiscal Policy is a policy of the
- (a) Central bank
 - (b) Government
 - (c) Finance commission
 - (d) Finance minister
74. Fiscal Policy includes:
- (a) Expenditure policy
 - (b) Tax policy
 - (c) both a and b
 - (d) neither a nor b.
75. The objective of Monetary Policy is :
- (a) to print notes of desired denominations
 - (b) to control cost and supply of money
 - (c) to provide loan to government
 - (d) none of these
76. Fiscal Policy refers to policy towards:
- (a) Public revenue
 - (b) public expenditure
 - (c) public debt
 - (d) all of the above
77. In a closed economy which of the following is not a macroeconomic objective?
- (a) National income growth
 - (b) price level stability
 - (c) BOP stability
 - (d) employment
78. A business cycle is composed of ----- phases:
- (a) 2 Phase
 - (b) 3 Phase
 - (c) 4 Phase
 - (d) No Phase
79. The percentage of deposits of commercial banks statutorily kept with the RBI is :
- (a) Cash Reserve Ratio
 - (b) Statutory Liquidity Ratio
 - (c) Repo Rate
 - (d) None of these
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80. Peak is the --- turning point of the business cycle.
- (a) Upper turning point
 - (b) Lower turning point
 - (c) Middle turning point
 - (d) None of these
81. Wage control is an instrument of ---- policy
- (a) Fiscal policy
 - (b) Monetary policy
 - (c) Incomes policy
 - (d) None of these
82. The trough of a business cycle occurs when _____ hits its lowest point.
- (a) Inflation
 - (b) the money supply
 - (c) aggregate economic activity
 - (d) the unemployment rate
83. The lowest point in the business cycle is referred to as the:
- (a) Expansion.
 - (b) Boom.
 - (c) Trough.
 - (d) Peak.
84. When aggregate economic activity is increasing, the economy is said to be in:
- (a) an expansion.
 - (b) a contraction.
 - (c) a peak.
 - (d) a turning point.
85. When aggregate economic activity is declining, the economy is said to be in:
- (a) a contraction.
 - (b) an expansion.
 - (c) a trough.
 - (d) a turning point.
86. Christina Romer's criticism of the belief that business cycles had moderated since World War II depended on the fact that:
- (a) estimates of the timing of business cycles since World War II had been inaccurate.
 - (b) misuse of historical data had caused economists to understate the size of cyclical fluctuations in the post-World War II era.
 - (c) economists had ignored the roles of the government and international trade in mitigating economic fluctuations prior to World War II.
 - (d) economists had left out important components of GDP, such as wholesale and retail distribution, transportation, and services, in their pre-World War II estimates.
87. What are the two main components of business cycle theories?
- (a) A description of shocks and a model of how the economy responds to them
 - (b) A model of how people decide to spend and a description of the government's role in the economy
 - (c) A model of how equilibrium is reached and a description of the government's role in the economy
 - (d) A description of shocks and a description of the government's role in the economy
88. Economists use the term shocks to mean:
- (a) unexpected government actions that affect the economy
 - (b) typically unpredictable forces that have major impacts on the economy
 - (c) sudden rises in oil prices
 - (d) the business cycle.
89. Wars, new inventions, harvest failures, and changes in government policy are examples of:
- (a) the business cycle.
 - (b) economic models.
 - (c) shocks.
 - (d) opportunity costs.
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90. Peaks and troughs of the business cycle are known collectively as:
(a) Volatility. (b) Turning points.
(c) Equilibrium points. (d) Real business cycle events.
91. ISLM model was basically.....sector model:
(a) Two (b) One
(c) Three (d) Four
92. ISLM model was firstly developed by
(a) Hansen (b) Hicks
(b) Keynes (d) None
93. IS curve represents the equilibrium ofsector.
(a) Money (b) Goods
(b) Government (d) All
94. The IS curve has aslope
(a) Positive (b) Negative
(b) Parallel (d) No slope
95. LM curve represents the equilibrium ofsector.
(a) Money (b) Goods
(b) Government (d) All
96. The LM curve has aslope.
(a) Positive (b) Negative
(b) Parallel (d) No slope
97. Original IS-LM model is amodel.
(a) Open (b) Closed
(c) Both (d) None
98. ISLM is used to determine:
(a) income (b) interest
(c) Both (d) All
99. The goods market is otherwise referred to as:
(a) Money (b) Financial
(b) both (d) Real sector
100. The relationship between income and interest in the IS curve is:
(a) Direct (b) Indirect
(b) No relation (d) None
101. The relationship between income and interest in the LM curve is:
(a) Direct (b) Indirect
(b) No relation (d) None
102. In the IS curve which are the variables are in equilibrium?
(a) Investment (b) Saving
(b) Both (d) None.
103. In the LM curve which are the variables are in equilibrium?
(a) M_d (b) M_s
(b) Both (d) None.
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104. The book Mr. Keynes and the Classics is written by:
(a) Hicks (b) Hansen
(b) Patinkin (d) Friedman.
105. The steepness of the IS curve depends on:
(a) change in interest (b) Size of the multiplier
(c) both (d) None
106. The tax cut shift the IS curve to the:
(a) Right (b) Left
(b) No change (d) Any of these.
107. Increase in Government expenditure shift IS curve to:
(a) Right (b) Left
(b) No change (d) Any of these.
108. Decrease in money supply shift the LM curve to the:
(a) Right (b) Left
(b) No change (d) Any of these.
109. One of the limitations of the ISLM model was:
(a) Static nature (b) open model
(b) price is exogenous (d) All
110. Who develop the ISLM open economy model?
(a) Mundell (b) Fleming
(c) Both (d) None
111. For an open economy model which curve is added IS-LM?
(a) Ms (b) Demand
(b) Md (d) BP.
112. Above the BP curve BoP is:
(a) surplus (b) Deficit
(c) Either Surplus or Deficit (d) None.
113. When there is Zero or No capital mobility the BP curve is:
(a) Negative (b) positive
(c) Vertical (d) Horizontal
114. When there is High capital mobility the BP curve is:
(a) Negative (b) positive
(c) Vertical (d) Horizontal
115. Which policy is recommended under flexible exchange rate system:
(a) No policy is needed (b) Contractionary policy
(c) expansionary monetary policy (d) Any policy.
116. The concept multiplier was first developed by:
(a) Hicks (b) Hansen
(b) Keynes (d) R.F.Khan
117. Khan's multiplier is known as:
(a) investment multiplier (b) employment multiplier
(c) Foreign trade multiplier (d) Saving multiplier

118. Keynes's multiplier is known as:
- (a) investment multiplier
 - (b) employment multiplier
 - (c) Foreign trade multiplier
 - (d) Saving multiplier
119. The foreign trade multiplier also known as the:
- (a) Acceleration
 - (b) employment multiplier
 - (c) Income multiplier
 - (d) export multiplier .
120. Investment Multiplier explains measures the change income as result of change in:
- (a) Saving
 - (b) Wealth
 - (c) Employment
 - (d) Investment.

ANSWER KEY

1. d	2. c	3. d	4. d	5. c	6. d
7. d	8. b	9. d	10. a	11. d	12. b
13. b	14. c	15. c	16. a	17. c	18. a
19. c	20. c	21. c	22. b	23. c	24. d
25. c	26. b	27. d	28. c	29. b	30. c
31. a	32. b	33. a	34. c	35. a	36. d
37. a	38. d	39. a	40. c	41. a	42. d
43. b	44. a	45. a	46. b	47. c	48. d
49. b	50. a	51. b	52. a	53. a	54. a
55. b	56. a	57. b	58. c	59. c	60. d
61. a	62. b	63. c	64. b	65. b	66. c
67. d	68. c	69. b	70. c	71. b	72. b
73. b	74. C	75. a	76. d	77. c	78. c
79. a	80. a	81. c	82. c	83. c	84. a
85. a	86. d	87. a	88. b	89. c	90. b
91. a	92. b	93. b	94. b	95. a	96. a
97. b	98. c	99. d	100. b	101. a	102. c
103. c	104. a	105. c	106. a	107. a	108. b
109. a	110. c	111. d	112. a	113. c	114. d
115. c	116. d	117. b	118. a	119. d	120. c

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