

Course Name: Macroeconomic Theory-I. Course Code: BSCHECOC102

Multiple Choice Type

1. Circular flow of income is in equilibrium when a) Withdrawal is greater than Injection b) Injection is greater than withdrawal c) total withdrawal is equal to total injection d) can't be said without additional information.
2. In simple Keynesian model of income determination 45° line may be called a) aggregate demand curve b) compensated demand curve c) aggregate supply curve d) none of these.
3. In case of lump-sum taxation balanced budget multiplier is equal to a) unity b) zero c) 2 d) none of these.
4. Stability of equilibrium in the simple Keynesian model of income determination requires a) MPC greater than 1 b) MPC=1 c) MPC is positive but less than 1 d) APC =0 .
5. IS curve may be called a) goods market equilibrium schedule b) money market equilibrium schedule c) labour market equilibrium schedule d) capital market equilibrium schedule
6. In the Keynesian range the LM curve is a) positively sloped b) negatively sloped c) horizontal d) Vertical.
7. In complete classical model a) money is not neutral b) money is neutral c) cannot be said without additional information. d) none of these
8. In complete Keynesian model NN curve is called a) aggregate demand curve b) demand curve c) supply curve d) aggregate supply curve.
9. "supply creates its own demand " is known as a) Walrus law b) Homogeneity postulate c) Says law d) none of these.
10. In complete Keynesian model CM curve a) is called aggregate supply curve and is downward sloping b) is called aggregate demand and is upward rising c) is called aggregate demand curve and is downward sloping d) is called aggregate supply curve and is upward rising.
11. G.N.P minus depreciation is called a) GDP b) SDP c) NNP d) NDP
12. In simple Keynesian model of income determination 45° line may be called a) aggregate demand curve b) compensated demand curve c) aggregate supply curve d) none of these .
13. In case of lump-sum taxation balanced budget multiplier is equal to a) unity b) zero c) 2 d) none of these .
14. Stability of equilibrium in the simple Keynesian model of income determination requires a) MPC greater than 1 b) MPC=1 c) MPC is positive but less than 1 d) APC =0 .

15. IS curve may be called a) goods market equilibrium schedule b) money market equilibrium schedule c) labour market equilibrium schedule d) capital market equilibrium schedule
16. In the Keynesian range the LM curve is a) positively sloped b) negatively sloped c) horizontal d) Vertical
17. In complete classical model a) money is not neutral b) money is neutral c) cannot be said without additional information. d) none of these
18. In complete Keynesian model NN curve is called a) aggregate demand curve b) demand curve c) supply curve d) aggregate supply curve.
19. "supply creates its own demand" is known as a) Walrus law b) Homogeneity postulate c) Says law d) none of these.
20. Under lumpsum taxation balanced budget multiplier is equal to a) 2 b)3 c)1 d)0
21. LM curve may be called a) goods market equilibrium schedule b) money market equilibrium schedule c) labour market equilibrium schedule d) capital market equilibrium schedule

Objective type, Very Short Type, Short Type and Essay Type Questions

22. Define GNP
23. What is value added method?
24. Define marginal propensity to save.
25. What do you mean by savings function?
26. State one item of injection in the circular flow of income.
27. Who developed absolute income hypothesis of consumption?
28. What is IS Curve?
29. What is investment multiplier?
30. What is NN curve?
31. State Say's law of market.
32. Define circular flow of income.
33. Show that $APC + APS = 1$.
34. State the stability condition of equilibrium in the simple Keynesian model.
35. What is Keynesian cross?
36. State different methods of measurement of national income.

- 37.State Walras law.
- 38.State two objective factors affecting consumption expenditure.
39. State quantity theory of money.
- 40.Which portion of the LM curve is called Keynesian range and why?
- 41.Define balanced budget multiplier.
42. Can GNP be regarded as an index of economic wellbeing?
- 43.Discuss the properties of Keynesian consumption function.
- 44.Explain the concept of paradox of thrift.
- 45.Draw LM curve and explain its slope.
- 46.Show that money is neutral in the classical macroeconomic model.
- 47.Examine the effect of a change in money supply in the IS-LM model.
- 48.Discuss how equilibrium level of income is determined in the simple Keynesian model. Explain the determination of interest rate and level of income in the IS-LM model.
- 49.Examine the effect of a change in money supply in the complete Keynesian model when price level is not fixed.
- 50.Define Net National Product.
- 51.Define income in the context of national income accounting.
52. State Absolute Income Hypothesis of consumption.
- 53.What do you mean by consumption function?
- 54.State one item of withdrawal in the circular flow of income.
- 55.State Walras law.
- 56.What is LM Curve?
- 57.Is money neutral in the complete Keynesian Model?
- 58.What do you mean by GNP deflator?
- 59.Show that $MPC + MPS = 1$.
- 60.Why is IS curve negatively sloped?
- 61.What can be said about the effectiveness of fiscal policy when LM curve is vertical?
- 62.Why is tax multiplier negative?
- 63.What is the value of balanced budget multiplier in case of lump sum taxation?
64. State two subjective factors affecting consumption expenditure.

65. What do you mean by crowding out effect?
66. Discuss the condition of equilibrium in the circular flow of income in a two-sector model.
67. Discuss the objective factors affecting consumption expenditure.
68. Examine how the slope of the LM curve affects the effectiveness of monetary policy.
69. Draw IS curve and explain its slope.
70. Examine the effect of a change in government expenditure in the IS-LM model.
71. 'Investment equals to saving and investment identically equals to saving'. How can you explain this statement?
72. Explain the determination of price level and level of income in the complete Keynesian model.
73. Discuss the limitations of the Keynesian static multiplier analysis.
74. Examine how the slope of the IS curve affects the effectiveness of fiscal policy
75. Show that balanced budget multiplier is equal to unity under lump sum taxation.