

**EXERCISE -1**

**a. Principles of Economics**

**•Macro Economics**

Parallel Economy:

Definition of Parallel Economy, Causes and Effects of Parallel Economy on Use of Land and its Valuation -Its Impact on Real Estate Market-Construction Industry and Parallel Economy

1. **Black money or unaccounted money circulating in the economy along with accounted money is known as**  
*a. Social economy    b. Parallel economy    c. Poor economy*
2. \_\_\_\_\_ may be defined as the money that is generated by activities, that are kept secret in the sense that these are not reported to the authorities.  
*a. White money    b. Black money    c. Red money*
3. The annual rate of growth of black money is \_\_\_\_\_ than the annual growth rate of GDP.  
*a. less    b. more    c. equal to*
4. \_\_\_\_\_ business is the one avenue where lot of black money goes in.  
*a. Tea estate    b. Real estate    c. black estate*
5. Another source of black money in Rent Control leads to  
*a. Lease system    b. Pugree system    c. Rent system*
6. \_\_\_\_\_ structure has also been responsible for the existence of black money to a large extent  
*a. Lower tax rates    b. Higher tax rates    c. No tax rates*
7. Black money plays a crucial role in  
*a. Donation to orphan    b. Donation to Political Party    c. Donation to trust*

\*\*\*\*

***(Hints: Answers to all questions are 'b')***

***LET KNOWLEDGE SPREAD***

**EXERCISE – 2****a. Principles of Economics****.Macro Economics**

Savings and investment : Savings types of savings - determinants of savings – investment – types of investment – determinants of investment – relationship between savings and investment

1. **Average propensity to consume (APC) is defined as fraction or percentage of**
  - a. Consumption/income*
  - b. Saving/income*
  - c. Consumption/saving*
  - d. Saving/consumption*
2. **Average propensity to save (APS) is defined as fraction or percentage of**
  - a. Saving/income*
  - b. Consumption/income*
  - c. Consumption/saving*
  - d. Saving/consumption*
3. **APC + APS equal to**
  - a. 1*
  - b. Below 1*
  - c. Above 1*
  - d. 0*
4. **Marginal propensity to consume (MPC) is the proportion or fraction of**
  - a. Change in consumption/Change in income*
  - b. Change in saving/change in income*
  - c. Change in consumption/change in saving*
  - d. Change in saving/change in consumption*
5. **Marginal propensity to save (MPS) is the ratio of**
  - a. Change in saving/change in income*
  - b. Change in consumption/change in income*
  - c. Change in consumption/change in saving*
  - d. Change in saving/change in consumption*
6. **MPC + MPS is always**
  - a. 1*
  - b. Below 1*
  - c. Above 1*
  - d. 0*
7. **Disposable income (DI) equals**
  - a. Consumption plus saving (C + S)*
  - b. Consumption minus saving (C - S)*
  - c. Saving minus consumption (S - C)*
  - d. None the above*

**(Hints: Answers to all questions are 'a')**

**LET KNOWLEDGE SPREAD**

**EXERCISE – 3****a. Principles of Economics****.Macro Economics**

Money - Function and role of money

1. **Example of metallic money**
  - a. *Platinum and Diamond*
  - b. *Coins*
  - c. *Bross and nickel*
  - d. *Gold and silver*
2. **Money that is declared by government order or fiat to be legal tender for settlement of all debts is called**
  - a. *Block money*
  - b. *Paper money*
  - c. *Broad money*
  - d. *Fiat money*
3. **Broad money (M3) is offered by**
  - a. *Currency*
  - b. *Cheque able deposits*
  - c. *fixed ot time deposits*
  - d. *Currency + all bank deposited*
4. **---- was a promise to pay on demand so much gold, the promise being made by gold Smits and later by bank**
  - a. *Black money*
  - b. *Broad money*
  - c. *Fiat money*
  - d. *Paper money*
5. **Paper assets are**
  - a. *Property*
  - b. *Currency*
  - c. *Coins*
  - d. *Stocks and bonds*

***(Hints: Answers to all questions are 'd')***

***LET KNOWLEDGE SPREAD***

## EXERCISE – 4

## a. Principles of Economics

**National Income/National Wealth: Circular flow of income - concepts of GNP & NP - per capital income and consumption - components of national income- income expenditure and output methods of computing national income**

1. GNP refers
  - a. *Gross National product*
  - b. *Gross Notational product*
  - c. *Great National product*
  - d. *Gross National profit*
2. \_\_\_\_\_ is the income of the national during a period of time- provides a comprehensive measure of the economic activities of a nation.
  - a. *Gross income*
  - b. *National income*
  - c. *Net income*
  - d. *None of the above*
3. The annual magnitude of national income divided by the nation's population is called
  - a. *Per national income*
  - b. *Per annual income*
  - c. *Per capita income*
  - d. *Per gross income*
4. GDP refers
  - a. *Gross domestic profit*
  - b. *Gross domain product*
  - c. *Great domestic product*
  - d. *Gross domestic product*
5. \_\_\_\_\_ refers to the value of the goods and services produced within the nation's geographical territory, irrespective of the ownership of the resources.
  - a. *Gross domestic product (GDP)*
  - b. *Gross national product (GNP)*
  - c. *National income (NNP<sub>F</sub>)*
  - d. *NDP<sub>F</sub>*
6. The difference between the gross and the net is the capital consumption called
  - a. *Appreciation (A)*
  - b. *Depreciation (D)*
  - c. *Inflation (I)*
  - d. *Deflation*

7. Gross national product (GNP) minus depreciation (D) is referred to as the
- Gross income (GI)
  - Annual income (AI)
  - National income ( $NNP_F$ )
  - Net income (NI)
8. \_\_\_\_\_ at market price stands for the monetary value of all goods and services that are currently produced by nationally owned resources, sold through the official market and valued at market prices.
- Per capita income
  - National income
  - Gross domestic product(GDP)
  - Gross national product(GNP)

***(Hints: Answers to questions***

***1(a), 2(b), 3(c), 4(d), 5(a), 6(b), 7(c) & 8(d)***

***LET KNOWLEDGE SPREAD***

\* \* \* \* \*

EXERCISE - 5

b. Principles of Economics

**.Macro Economics**

Components of Economy: Primary sector - secondary sector - tertiary sector in Urban economy - Parasitic components in Urban economy.

- 1 **Primary sectors of economy are**
  - a. *Agricultural and its related activities*
  - b. *Industrial and its related activities*
  - c. *Fisheries and its related activity /*
  - d. *Dairy and its related activity*
  
- 2 **When the economics activity depends mainly on exploitation of natural resources then that activity comes under**
  - a. *Secondary sector*
  - b. *Primary sector*
  - c. *Tertiary sector*
  - d. *Non - tertiary sector*
  
- 3 **Secondary sectors of economy are**
  - a. *Agricultural production*
  - b. *Computer production*
  - c. *Industrial production*
  - d. *Engineering production*
  
- 4 **Tertiary sectors of economy are**
  - a. *Industrial*
  - b. *Tangible goods*
  - c. *Agricultural*
  - d. *Intangible goods like services*
  
- 5 **Financial services, management consultancy, telephony and IT are good examples of**
  - a. *Service sector / tertiary sector*
  - b. *Secondary sector*
  - c. *Primary sector*
  - d. *Non - service sector*
  
- 6 **When the main activity involves manufacturing then it is the**
  - a. *Primary sector*
  - b. *Secondary sector*
  - c. *Tertiary sector*
  - d. *Non - secondary sector*
  
7. **Urbanization is largely a product of**
  - a. *Fisheries*
  - b. *Agricultural*
  - c. *Industrialization*
  - d. *Dairy*

- 8 . Modern economic growth has been characterized by the movement of an increasing proportion of the population in developed countries from rural areas to urban areas is known as
- a. Nationalization*
  - b. Industrialization*
  - c. Ruralization*
  - d. Urbanization*
9. Built environment that replaced
- a. Natural environment*
  - b. Artificial environment*
  - c. New environment*
  - d. Unnatural environment*
10. Built environment that created
- a. Uniform climate, temperature and rain fall*
  - b. Local micro — climate, with different temperature gradients and rainfall*
  - c. High temperature and high rainfall*
  - d. Low temperature and low climate*

*(Hints ; Answers to questions*

*1(a),2(b),3(c),4(d),5(a), 6(b), 7(c),8(d),9(a) & 10(b))*

**LET KNOWLEDGE SPREAD**

**EXERCISE -6****a. Principles of Economics****•Macro Economics**

Inflation and Deflation: Types of inflation - causes - effects – inflationary gap – control of inflation – monetary, fiscal and direct measures – deflation – cause – effects – deflationary gap – measures to control deflation – deficit financing.

- 1 A continuous rise in general price level is called**
  - a. Inflation***
  - b. Deflation***
  - c. Appreciation***
  - d. Depreciation***
  
- 2. The inflation is estimated based on the movement in**
  - a. Consumer price index (CPI)***
  - b. Wholesale price index (WPI)***
  - c. Cost inflation index (CII)***
  - d. Cost index (CI)***
  
- 3 Consumer price index (CPI) is used to**
  - a. Arrive at cost of lifestyle changes and for the calculation of salary***
  - b. Arrive at the cost of life changes and for the calculation of travel allowance***
  - c. Arrive at the cost of living changes and for the calculation of dearness allowance***
  - d. Arrive at the cost of living transformation and for the calculation of salary***
  
- 4. Hyperinflation is phenomenon where the rate of inflation is around**
  - a. 500 percent per year***
  - b. 50 percent per year***
  - c. 100 percent per year***
  - d. 1000 percent per year***
  
- 5. The inflation which is low and which moves up and down slowly is called as**
  - a. Crawling inflation***
  - b. Low inflation***
  - c. Galloping inflation***
  - d. High inflation***



6. The inflation whose rate falls within one digit to the low two digits per year is called as
  - a. *Crawling inflation*
  - b. *Low inflation*
  - c. *Galloping inflation*
  - d. *High inflation*
  
7. Inflation where the high inflation would be found in countries at least for few years
  - a. *Crawling inflation*
  - b. *Low inflation*
  - c. *Galloping inflation*
  - d. *High inflation*
  
8. Inflation at the high two digit rate to the top of the three digit rate per year is called as
  - a. *Crawling inflation*
  - b. *Low inflation*
  - c. *Galloping inflation*
  - d. *High inflation*
  
9. Monetary policy , Fiscal policy and Direct controls are the main instruments of
  - a. *Stabilization policy*
  - b. *Fiscal policy*
  - c. *Bank policy*
  - d. *State policy*
  
10. Deflation is just \_\_\_\_\_ of inflation
  - a. *One and same as*
  - b. *Entirely different*
  - c. *Opposite*
  - d. *None of above*

*(Hints: Answered to questions 1(a),2(b),3(c),4(d),5(a),6(b),7(c),8(d),9(a) & 10(b)*

**LET KNOWLEDGE SPREAD**

**EXERCISE - 7****a. Principles of Economics****•Macro Economics**

Inflation and Deflation: Types of inflation - causes - effects – inflationary gap – control of inflation – monetary, fiscal and direct measures – deflation – cause – effects – deflationary gap – measures to control deflation – deficit financing.

1. **Deflation spread ----- impact than inflation**
  - a. Worse*
  - b. Better*
  - c. Equal*
  - d. None of the above*
  
2. ----- is an important method of overcoming deflation
  - a. Surplus budgeting*
  - b. Deficit budgeting*
  - c. Economic budgeting*
  - d. None of the above*
  
3. **Changing taxes rates with expenditures constant is more effective in controlling**
  - a. Deflation*
  - b. Inflation*
  - c. Appreciation*
  - d. Deprecation*
  
4. **Changing expenditures with taxes constant is more useful in controlling**
  - a. Appreciation*
  - b. Deprecation*
  - c. Inflation*
  - d. Deflation*
  
5. **Compensatory spending and pump priming are**
  - a. Public expenditures*
  - b. Private expenditures*
  - c. Both the expenditures*
  - d. None of the above*

*(Hints: Answered to questions 1(a),2(b),3(b),4(d),5(a))*

**LET KNOWLEDGE SPREAD**