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’)

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EXERCISE – 2
a. Principles of Economics

Macro Economics

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 of 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’)
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. Brass 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
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)
   d. NDP

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
   a. Gross income (GI)
   b. Annual income (AI)
   c. National income (NNP)
   d. 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.
   a. Per capita income
   b. National income
   c. Gross domestic product (GDP)
   d. 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

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b. Principles of Economics


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


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,
EXERCISE - 7

a. Principles of Economics

- Macro Economics


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))