

## Holiday Homework Economics Class 12<sup>th</sup>

1. Domestic income is:

- (a)  $GDP_{MP}$
- (b)  $NDP_{FC}$
- (c)  $NNP_{MP}$
- (d)  $GNP_{FC}$

Answer

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2. National income is:

- (a)  $GDP_{MP}$
- (b)  $NDP_{MP}$
- (c)  $NNP_{FC}$
- (d)  $GNP_{FC}$

Answer

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3. The difference between gross and net is:

- (a) Depreciation
- (b) NFIA
- (c) Net Indirect Tax
- (d) Subsidies

Answer

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4. Domestic income is which concept?

- (a) National
- (b) Economic
- (c) Territorial
- (d) None of the above

Answer

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5. National income is which concept?

- (a) Territorial
- (b) National
- (c) Economical
- (d) None of the above

Answer

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6. The difference between domestic income and National income is\_\_\_\_\_.

- (a) NFIA
- (b) Net Indirect Tax
- (c) Depreciation
- (d) All of the above

Answer

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7. How is  $GDP_{MP}$  different from  $NNP_{fc}$  ?

- (a) NFIA
- (b) Net Indirect Tax
- (c) Depreciation
- (d) All of the above

Answer

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8. Market price includes:

- (a) NFIA
- (b) Depreciation
- (c) Net Indirect Tax
- (d) None of the above

Answer

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9. The word national in national income means:

- (a) Goods produced by normal resident
- (b) Goods produced in domestic territory
- (c) Services produced by normal resident
- (d) Both (a) and (c)

[Answer](#)

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10. The word gross means:

- (a) Inclusive of NFIA
- (b) Inclusive of indirect tax
- (c) Exclusive of depreciation
- (d) Inclusive of depreciation

[Answer](#)

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### **National Income and Related Aggregates MCQ Questions**

11. Product means:

- (a) Intermediate goods
- (b) Transfer payments
- (c) Final goods and services
- (d) Both (a) and (b)

[Answer](#)

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12. Factor cost is the:

- (a) Market value
- (b) Money value
- (c) Transfer value
- (d) None of the above

[Answer](#)

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13. How many aggregates does national income have?

- (a) 10
- (b) 5
- (c) 8
- (d) 4

Answer

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14. Market price is the:

- (a) Market value
- (b) Money value
- (c) Transfer value
- (d) None of the above

Answer

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15. Which of the following is a domestic concept?

- (a)  $NDP_{MP}$
- (b)  $NDP_{FC}$
- (c)  $GDP_{MP}$
- (d) All the above

Answer

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16. Which of the following is not a national concept?

- (a)  $GDP_{FC}$
- (b)  $NNP_{MP}$
- (c)  $GNP_{FC}$
- (d)  $NNP_{FC}$

Answer

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17. The difference between  $NNP_{MP}$  and  $NNP_{fc}$  is:

- (a) Depreciation
- (b) NFIA
- (c) Net Indirect Tax
- (d) All of the above

Answer

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18. Which of the following is a national concept?

- (a)  $NNP_{MP}$
- (b)  $NNP_{FC}$
- (c)  $GNP_{MP}$
- (d) All the above

Answer

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19. Which of the following is not a domestic concept?

- (a)  $NNP_{MP}$
- (b)  $NDP_{FC}$
- (c)  $GDP_{MP}$
- (d)  $GDP_{FC}$

Answer

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20. If NFIA is negative,

- (a) Factor income to abroad will be less than Factor income from abroad
- (b) Factor income to abroad will be equal to Factor income from abroad
- (c) Factor income to abroad will be more than Factor income from abroad
- (d) None of the above

Answer

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**National Income and Related Aggregates MCQ Questions**

21. If NFIA is 0,

- (a) Domestic income will be more than national income
- (b) Domestic income will be equal to national income
- (c) Domestic income will be less than national income
- (d) None of the above

Answer

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22. If NFIA is positive,

- (a)  $NDP_{FC} = NNP_{FC}$
- (b)  $NDP_{FC} > NNP_{FC}$
- (c)  $NDP_{FC} < NNP_{FC}$
- (d) None of the above

Answer

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23. If Net Indirect Taxes are negative,

- (a) Factor cost will be less than market price
- (b) Factor cost will be more than market price
- (c) Factor cost is equal to market price
- (d) None of the above

Answer

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24. Depreciation can never be:

- (a) Zero
- (b) Positive
- (c) Negative
- (d) None of the above

Answer

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25. All domestic variants are:

- (a) National concept
- (b) Territorial concept
- (c) Economical concep
- (d) None of the above

Answer

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26. Which of the following is a method to calculate national income?

- (a) Value added method
- (b) Income method
- (c) Expenditure method
- (d) All of the above

Answer

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27. Value added method is also known as:

- (a) Product method
- (b) Inventory method
- (c) Net output method
- (d) All of the above

Answer

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28. Which aggregate of national income is constituted from the value added method?

- (a)  $NDP_{FC}$
- (b)  $GDP_{MP}$
- (c)  $GDP_{FC}$
- (d)  $NDP_{MP}$

Answer

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29. All production units are grouped into:

- (a) Primary sector
- (b) Tertiary sector
- (c) Secondary sector
- (d) All of the above

[Answer](#)

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30. Which of the following is not included while calculating national income through value added method?

- (a) Intermediate goods
- (b) Services for self-consumption
- (c) Second hand goods
- (d) All of the above

[Answer](#)

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### **National Income and Related Aggregates MCQ Questions**

31. Which of the following is correct?

- (a)  $GDP_{MP} = \text{Value of Output} - \text{Intermediate Consumption}$
- (b)  $NDP_{FC} = \text{Value of Output} - \text{Intermediate Consumption}$
- (c)  $GDP_{FC} = \text{Sales} + \text{change in stock}$
- (d)  $NDP_{MP} = \text{Sales} + \text{change in stock}$

[Answer](#)

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32. Income method is also known as:

- (a) Factor payment method
- (b) Factor service method
- (c) Factor output method
- (d) All of the above

[Answer](#)

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33. Which of the following is not a component of factor income?

- (a) Compensation of employees
- (b) Operating surplus
- (c) Sales of goods and services
- (d) Mixed income of self employed

Answer

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34. Which of the following is not a component of operating surplus?

- (a) Profit
- (b) Intermediate consumption
- (c) Rent and royalty
- (d) Interest

Answer

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35. Which of the following is a component of compensation of employees?

- (a) Wages and salary in cash
- (b) Wages and salaries in kind
- (c) Employer's contribution to PPF
- (d) All of the above

Answer

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36. Which of the following is a component of profits?

- (a) Corporate tax
- (b) Dividends
- (c) Retained earnings
- (d) All of the above

Answer

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37. Which of the following is not included in national income as per income method?

- (a) Windfall gains
- (b) Transfer incomes
- (c) Payments out of past savings
- (d) All of the above

[Answer](#)

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38. Expenditure method is also known as:

- (a) Income disposable method
- (b) Net output method
- (c) Factor payment method
- (d) None of the above

[Answer](#)

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39. Which of the following is a component of the expenditure method?

- (a) Private final consumption expenditure
- (b) Net exports
- (c) Gross domestic capital formation
- (d) All of the above

[Answer](#)

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40. Which of the following is a part of gross domestic capital formation?

- (a) Gross fixed capital formation
- (b) Inventory investment
- (c) Both (a) and (b)
- (d) None of the above

[Answer](#)

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**National Income and Related Aggregates MCQ Questions**

41. Which of the following is not included in national income as per expenditure method?

- (a) Purchase of second-hand goods
- (b) Purchase of financial assets
- (c) Intermediate goods
- (d) All of the above

[Answer](#)

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42. Which of the following is not a component of gross fixed capital formation?

- (a) Gross business fixed investment
- (b) Inventory investment
- (c) Gross residential construction investment
- (d) Gross public investment

[Answer](#)

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43. Which of the following is correct?

- (a) Inventory investment = Opening stock - Closing stock
- (b) Inventory investment = Opening stock + Closing stock
- (c) Inventory investment = Closing stock - Opening stock
- (d) Inventory investment = Gross fixed investment + opening stock

[Answer](#)

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44. Which of the following groups incur final expenditure?

- (a) Household sector
- (b) Foreign sector
- (c) Government and producing sector
- (d) All of the above

[Answer](#)

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45. Net exports is
- (a) Export – Import
  - (b) Import – Export
  - (c) Export + Import
  - (d) None of the above

[Answer](#)

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46. The output at current year price is called:
- (a) Nominal GDP
  - (b) Real GDP
  - (c) National GDP
  - (d) None of the above

[Answer](#)

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47. The output at base year price is called:
- (a) Nominal GDP
  - (b) Real GDP
  - (c) National GDP
  - (d) None of the above

[Answer](#)

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48. Real GDP shows:
- (a) Change in price only
  - (b) Change in output only
  - (c) Change in both price and output
  - (d) None of the above

[Answer](#)

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49. Nominal GDP shows:
- (a) Change in price only
  - (b) Change in output only
  - (c) Change in both price and output
  - (d) None of the above

[Answer](#)

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50. If population increase, then:
- (a) GDP rise
  - (b) Welfare rise
  - (c) Welfare decrease
  - (d) Both (a) and (c)

[Answer](#)

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### **National Income and Related Aggregates MCQ Questions**

51. Making public parks increase:
- (a) GDP
  - (b) Welfare
  - (c) GDP and welfare both
  - (d) None of the above

[Answer](#)

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52. Due to non monetary changes,:
- (a) GDP rise but welfare falls
  - (b) Welfare rise but GDP falls
  - (c) No impact on GDP but welfare increases
  - (d) No impact on GDP and welfare

[Answer](#)

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53. Due to setting up of plant near river coast,
- (a) GDP falls, welfare rise
  - (b) GDP rise, welfare falls
  - (c) Both GDP and welfare falls
  - (d) Both GDP and welfare rises

[Answer](#)

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54. Which of the following statements is false?
- (a) Use of public parks increases welfare.
  - (b) Distribution of GDP increases welfare
  - (c) Higher GDP always cause higher welfare
  - (d) None of the above

[Answer](#)

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55. Which of the following is included in national income?
- (a) Brokerage on sale of financial assets
  - (b) Sale of financial assets
  - (c) Intermediate goods
  - (d) Transfer payments

[Answer](#)

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56. Which of the following is not included in national income?
- (a) Windfall gains
  - (b) National debt interest
  - (c) Purchase of second hand goods
  - (d) All of the above

[Answer](#)

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57. Increase in Stock of Capital is known as:

- (a) Capital Loss
- (b) Capital Profit
- (c) Capital Formation
- (d) None of these

[Answer](#)

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58. Interest on loans paid by commercial bank is:

- (a) Included in national income
- (b) Excluded in domestic income
- (c) Excluded in national income
- (d) None of the above

[Answer](#)

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59. Sales and purchase of financial asset is:

- (a) Included in national income
- (b) Excluded in national income
- (c) Excluded in domestic income
- (d) None of the above

[Answer](#)

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60. NDPMP = \_\_\_\_\_

- (a) GDPMP – Depreciation
- (b) GDPFC + Net factor income from abroad
- (c) NNPFC + Net indirect taxes
- (d) All of these

[Answer](#)

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61. Interest earned by normal resident is:

- (a) Included in national income
- (b) Included in domestic income
- (c) Excluded in national income
- (d) None of the above

[Answer](#)

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62. Which of the following is not included in compensation of employees?

- (a) Wages and salary in cash
- (b) Wages and salary in kind
- (c) Employee's contribution to PF
- (d) Employer's contribution to PF

[Answer](#)

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63. Which of the following is not a part of operating surplus?

- (a) Rent and royalty
- (b) Wages and salaries
- (c) Interest and profits
- (d) None of the above

[Answer](#)

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64. Retained earnings is also called:

- (a) Undistributed profits
- (b) Savings of private sector
- (c) Excess reserves
- (d) All of the above



Answer

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65. Income of a teacher teaching at her own house is a part of:

- (a) Mixed income of self employed
- (b) Domestic income
- (c) National income
- (d) All of the above

Answer

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### Fill in the Blanks – National Income and Related Aggregates MCQ Questions

1. Market price refers to the \_\_\_\_\_ of all final goods and services.

- (a) Market value
- (b) Intermediate value
- (c) Final value
- (d) None of the above

Answer

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2.  $NDP_{FC}$  represents \_\_\_\_\_ .

- (a) Domestic income
- (b) Normal income
- (c) Both (a) and (b)|
- (d) International income

Answer

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3. National income is represented by \_\_\_\_\_ .

- (a)  $NDP^{FC}$
- (b)  $NNP^{FC}$
- (c)  $NNP^{MP}$
- (d)  $NDP^{MP}$

Answer

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4. GNP exceeds NNP by \_\_\_\_\_.
- (a) Subsidy
  - (b) Depreciation
  - (c) Both (a) and (b)
  - (d) None of the above

Answer

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5. NDP exceeds NNP by \_\_\_\_\_ .
- (a) NFIA
  - (b) FIFA
  - (c) FITA
  - (d) None of the above

Answer

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6. GDPMP exceeds GDPFC by \_\_\_\_\_
- (a) Direct tax
  - (b) Net indirect tax
  - (c) Indirect tax
  - (d) All of the above

Answer

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7. Factor cost represents the \_\_\_\_\_ of all final goods and services.
- (a) Net Indirect tax
  - (b) Depreciation
  - (c) Money value
  - (d) None of the above

Answer

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8. In \_\_\_\_\_ economy, national income is equal to domestic income.

- (a) Mixed
- (b) Closed
- (c) Open
- (d) None of the above

Answer

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9. Domestic income is a \_\_\_\_\_ concept.

- (a) Domestic
- (b) International
- (c) National
- (d) Territorial

Answer

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10. National income is a \_\_\_\_\_ concept.

- (a) National
- (b) Domestic
- (c) Territorial
- (d) Regional

Answer

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11. Value added method is also called \_\_\_\_\_ .

- (a) Gross value metho
- (b) Product method
- (c) National income method
- (d) None of the above

Answer

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12. Income method is also called\_\_\_\_\_ .

- (a) National income method
- (b) Product method
- (c) Factor payment method
- (d) None of the above

[Answer](#)

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13. Expenditure method is also called\_\_\_\_\_ .

- (a) Income disposal method
- (b) Product method
- (c) Factor income method
- (d) National income method

[Answer](#)

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14. Intermediate consumption is\_\_\_\_\_ in domestic and national income.

- (a) Included
- (b) Excluded
- (c) Not mentioned
- (d) Combined with final Consumption.

[Answer](#)

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15. Windfall gains are\_\_\_\_\_ while calculating national income.

- (a) Gained
- (b) Included
- (c) Excluded
- (d) None of the above

Answer

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### National Income and Related Aggregates MCQ Questions

16. The three sectors of production are \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ .

- (a) Primary, secondary, tertiary
- (b) Land, labour and Capital
- (c) Both (a) and (b)
- (d) None of the above

Answer

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17. Rent, interest and profits combine to form \_\_\_\_\_.

- (a) Factors payment
- (b) Market value
- (c) Operating surplus
- (d) All of the above

Answer

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18. Inventory investment=\_\_\_\_\_.

- (a) Closing stock
- (b) Opening stock
- (c) Both (a) and (b)
- (d) None of the above

Answer

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19. Transfer payments or receipts are \_\_\_\_\_ while calculating national income.

- (a) Excluded

- (b) Included
- (c) Both (a) and (b)
- (c) None of the above

Answer

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20. Interest on loans paid by commercial banks is \_\_\_\_\_ in national income.

- (a) Included
- (b) Excluded
- (c) Not mentioned
- (d) Ignored

Answer

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21. Compensation paid to employees in kind is \_\_\_\_\_ in national income.

- (a) Included
- (b) Excluded
- (c) Ignored
- (d) Not mentioned

Answer

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22. Old age pension is a \_\_\_\_\_ income.

- (a) Factor income
- (b) Transfer income
- (c) Money
- (d) None of the above

Answer

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23. Wages and salaries is a \_\_\_\_\_ income.

- (a) Factor

- (b) Transfer
- (c) Both (a) and (b)
- (d) None of the above

Answer

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24. GDP at current year prices is called\_\_\_\_\_.
- (a) Real GDP
  - (b) Deflated GDP
  - (c) Nominal GDP
  - (d) All of the above

Answer

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25. GDP at base year prices is called \_\_\_\_\_.
- (a) Factor GDP
  - (b) Nominal GDP
  - (c) Deflated GDP
  - (c) Real GDP

Answer

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26. \_\_\_\_\_ Is the average price level of all goods and services produced in the economy.
- (a) Factor GDP
  - (b) GDP deflated
  - (c) Nominal GDP
  - (d) Real GDP

Answer

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27. \_\_\_\_\_ Shows the impact of output and price both.

- (a) Factor GDP
- (b) GDP deflated
- (c) Nominal GDP
- (d) Real GDP

Answer

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28. \_\_\_\_\_ Shows the impact of output only.

- (a) Real GDP
- (b) Deflated GDP
- (c) Nominal GDP
- (d) All of the above

Answer

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29. Due to setting up of factory near residential area increase \_\_\_\_\_ but decreases \_\_\_\_\_ .

- (a) Welfare, GDP
- (b) GDP, welfare
- (c) Both (a) and (b)
- (d) None of the above

Answer

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30. Due to the increase in population of the country, its welfare \_\_\_\_\_.

- (a) Increases
- (b) Decreases
- (c) Both (a) and (b)
- (d) None of the above

Answer

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31. Setting up lights on public roads leads to an increase in\_\_\_\_\_.
- (a) GDP
  - (b) Welfare
  - (c) Factor income
  - (d) Transfer payments

Answer

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32. \_\_\_\_\_ Is considered as an index of welfare of the people.
- (a) GDP
  - (b) Transfer payment
  - (c) Factor income
  - (d) All of the above

Answer

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33. The aggregates of value added methods sum up to form\_\_\_\_\_.
- (a)  $NNP^{MP}$
  - (b)  $NNP^{FC}$
  - (c)  $GDP^{MP}$
  - (d)  $GNP^{FC}$

Answer

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34. The aggregates of income methods sum up to form\_\_\_\_\_.
- (a)  $NNP^{MP}$
  - (b)  $NNP^{FC}$
  - (c)  $NDP^{FC}$
  - (d)  $NDP^{MP}$

Answer

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35. The aggregates of expenditure method sum up to form\_\_\_\_\_.

- (a)  $NNP^{MP}$
- (b)  $NNP^{FC}$
- (c)  $GDP^{MP}$
- (d)  $GNP^{FC}$

[Answer](#)

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### **Statement based – National Income and Related Aggregates MCQ Questions**

1. Read the following statement given below and choose the correct alternative.

Statement 1- In an open economy, domestic income is always equal to national income.

Statement 2- Government final consumption expenditure is expenditure on the free services provided to the people by the government.

- (a) Both are correct
- (b) Both are incorrect
- (c) Statement 1 is correct and statement 2 is incorrect
- (d) Statement 1 is incorrect and statement 2 is correct.

[Answer](#)

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2. Read the following statement given below and choose the correct alternative.

Statement 1- Depreciation can be negative also.

Statement 2- Depreciation is also known as consumption of final resources.

- (a) Both are correct
- (b) Both are incorrect
- (c) Statement 1 is correct and statement 2 is incorrect
- (d) Statement 1 is incorrect and statement 2 is correct.

## Answer

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3. Read the following statement given below and choose the correct alternative.

Statement 1- Indirect tax can never be negative.

Statement 2- Indirect tax can never be positive.

- (a) Both are correct
- (b) Both are incorrect
- (c) Statement 1 is correct and statement 2 is incorrect
- (d) Statement 1 is incorrect and statement 2 is correct

## Answer

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4. Read the following statement given below and choose the correct alternative.

Statement 1- Domestic income can be more than national income.

Statement 2- National income is included in Domestic income.

- (a) Both are correct
- (b) Both are incorrect
- (c) Statement 1 is correct and statement 2 is incorrect
- (d) Statement 1 is incorrect and statement 2 is correct.

## Answer

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5. Read the following statement given below and choose the correct alternative.

Statement 1- Imports are separately included in national income as per value added method.

Statement 2- Value of output is value of final product produced by a production unit.

- (a) Both are correct
- (b) Both are incorrect

- (c) Statement 1 is correct and statement 2 is incorrect
- (d) Statement 1 is incorrect and statement 2 is correct.

Answer

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6. Read the following statement given below and choose the correct alternative.

Statement 1- Wages and salaries in kind are a part of national income as per income method.

Statement 2- Income of self employed workers is included in National income as per income method.

- (a) Both are correct
- (b) Both are incorrect
- (c) Statement 1 is correct and statement 2 is incorrect
- (d) Statement 1 is incorrect and statement 2 is correct.

Answer

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7. Read the following statement given below and choose the correct alternative.

Statement 1- Corporate tax is a part of profits.

Statement 2- Free education to children of employees is an example of compensation in kind .

- (a) Both are correct
- (b) Both are incorrect
- (c) Statement 1 is correct and statement 2 is incorrect
- (d) Statement 1 is incorrect and statement 2 is correct

Answer

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8. Read the following statement given below and choose the correct alternative.

Statement 1- Higher GDP will always lead to higher welfare.

Statement 2- Low level of welfare will always lead to higher GDP.

- (a) Both are correct
- (b) Both are incorrect

- (c) Statement 1 is correct and statement 2 is incorrect
- (d) Statement 1 is incorrect and statement 2 is correct.

Answer

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9. Read the following statement given below and choose the correct alternative.

Statement 1- Mixed income includes the income of self employed persons.

Statement 2- Mixed income is a mixer of wages, rent, interest and profit.

- (a) Both are correct
- (b) Both are incorrect
- (c) Statement 1 is correct and statement 2 is incorrect
- (d) Statement 1 is incorrect and statement 2 is correct.

Answer

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10. Read the following statement given below and choose the correct alternative.

Statement 1- Purchase and sale of financial assets is included in national income.

Statement 2- Income from subsoil assets is included in National income.

- (a) Both are correct
- (b) Both are incorrect
- (c) Statement 1 is correct and statement 2 is incorrect
- (d) Statement 1 is incorrect and statement 2 is correct.

Answer

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### **Assertion based questions – National Income and Related Aggregates MCQ Questions**

1. Read the following statement given below and choose the correct alternative.

Assertion (A)-  $GDP_{MP}$  ,  $GDP_{FC}$  ,  $NDP_{MP}$  and  $NDP_{FC}$  are the four aggregates of domestic concepts.

Reason ( R)- Sum of factors income generated within domestic territory is called domestic income.

- (a) Both assertion and reason are true. Reason is the correct explanation of assertion
- (b) Both assertion and reason are true. Reason is not the correct explanation of assertion.
- (c) Assertion is true but the reason is not.
- (d) Reason is true but assertion is not.

Answer

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2. Read the following statement given below and choose the correct alternative.

Assertion (A)-  $GNP_{MP}$  ,  $GNP_{FC}$  ,  $NNP_{MP}$  and  $NNP_{FC}$  are the four aggregates of national concepts.

Reason (R )- National income is the sum of domestic product and net factor income from abroad.

- (a) Both assertion and reason are true. Reason is the correct explanation of assertion.
- (b) Both assertion and reason are true. Reason is not the correct explanation of assertion
- (c) Assertion is true but reason is not
- (d) Reason is true but assertion is not.

Answer

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3. Read the following statement given below and choose the correct alternative.

Assertion (A) – Domestic income can be greater than national income.

Reason (R )- If factor income from abroad is less than factor income to abroad , NFIA is negative.

- (a) Both assertion and reason are true. Reason is the correct explanation of assertion.
- (b) Both assertion and reason are true. Reason is not the correct explanation of assertion

- (c) Assertion is true but reason is not
- (d) Reason is true but assertion is not.

Answer

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4. Read the following statement given below and choose the correct alternative.

Assertion (A)- "Market Price" is the market value of final goods and services and "Factor Cost" is the money value of final goods and services.

Reason (R )- Factor income is not included in National income whereas transfer income is included.

- (a) Both assertion and reason are true. Reason is the correct explanation of assertion
- (b) Both assertion and reason are true. Reason is not the correct explanation of assertion
- (c) Assertion is true but reason is not
- (d) Reason is true but assertion is not.

Answer

---

5. Read the following statement given below and choose the correct alternative.

Assertion (A)- By including the value of final goods only we can solve the problem of double counting.

Reason (R )-The problem of double counting doesn't exist in a closed economy.

- (a) Both assertion and reason are true. Reason is the correct explanation of assertion.
- (b) Both assertion and reason are true. Reason is not the correct explanation of assertion
- (c) Assertion is true but reason is not
- (d) Reason is true but reason is not.

Answer

---

6. Read the following statement given below and choose the correct alternative.

Assertion (A)- Intermediate goods are not included in national income  
Reason (R )- Production of goods for self consumption is included in national income.

- (a) Both assertion and reason are true. Reason is the correct explanation of assertion
- (b) Both assertion and reason are true. Reason is not the correct explanation of assertion
- (c) Assertion is true but the reason is not.
- (d) Reason is true but assertion is not.

[Answer](#)

---

7. Read the following statement given below and choose the correct alternative.

Assertion (A)- Transfer payments are not included in national income.  
Reason (R )- Purchase of financial assets is included in the national income.

- (a) Both assertion and reason are true. Reason is the correct explanation of assertion.
- (b) Both assertion and reason are true. Reason is not the correct explanation of assertion.
- (c) Assertion is true but the reason is not.
- (d) Reason is true but assertion is not.

[Answer](#)

---

8. Read the following statement given below and choose the correct alternative.

Assertion (A)- Rent, Interest and profit are termed as transfer Income  
Reason (R )- Transfer income is the income received without rendering any productive services in return.



- (a) Both assertion and reason are true. Reason is the correct explanation of assertion.
- (b) Both assertion and reason are true. Reason is not the correct explanation of assertion.
- (c) Assertion is true but the reason is not.
- (d) Reason is true but assertion is not.

Answer

---

9. Read the following statement given below and choose the correct alternative.

Assertion (A)- GDP deflator refers to the average price level of all goods and services produced in the economy.

Reason (R )- There are two types of GDP, Real GDP and Nominal GDP.

- (a) Both assertion and reason are true. Reason is the correct explanation of assertion.
- (b) Both assertion and reason are true. Reason is not the correct explanation of assertion.
- (c) Assertion is true but reason is not
- (d) Reason is true but Assertion is not

Answer

---

10. Read the following statement given below and choose the correct alternative.

Assertion (A)- Variable which is measured at a certain point of time is called flow variable.

Reason (R )- Real GDP is better as it truly reflects the growth of the economy.

- (a) Both assertion and reason are true. Reason is the correct explanation of assertion.
- (b) Both assertion and reason are true. Reason is not the correct explanation of assertion.
- (c) Assertion is true but reason is not
- (d) Reason is true but assertion is not.

## Answer

---

### Text based question – National Income and Related Aggregates MCQ Questions

1. Gross means the worth of an item including depreciation. Net means the worth of item barring depreciation.

2. The distinction between these two terms is depreciation.

3. Where depreciation is the normal abatement in the worth of fixed capital resources because of its overall use.

4. It is the consequence of the production process.

Gross = Net + Depreciation  
Net = Gross – Depreciation

Note: Other names of deterioration are:

- (a) Consumption of fixed capital
- (b) Capital utilization remittance
- (c) Current substitution cost.

1. \_\_\_\_\_ includes depreciation.

- (a) Net
- (b) Gross
- (c) Production
- (d) Tax

## Answer

---

2. \_\_\_\_\_ excludes depreciation.

- (a) Net
- (b) Gross
- (c) Subsidy
- (d) Interest

## Answer

---

3. Depreciation is the consequence of \_\_\_\_\_.

- (a) Consumption
- (b) Gross domestic product

- (c) Production process
- (d) None of the above

Answer

---

4. Distinction between Gross and Net is known as .
- (a) Gross investment
  - (b) Net investment
  - (c) Investment
  - (d) Depreciation

Answer

---

5. Which of the following are the alternative names of depreciation.
- (a) Consumption of fixed capital
  - (b) Capital utilization remittance
  - (c) Current substitution cost.
  - (d) All of the above

Answer

---

**Matching based questions – National Income and Related Aggregates MCQ Questions**

1. Choose the correctly matched pair from the following

Column A	Column B
----------	----------

A. Goods having Direct demand	1. Consumer goods.
B. Phases of circular flow of income	2. Stock
C. Inventory investment	3. Depreciation
D. Fall in the value of fixed assets	4. Production, consumption and distribution

- (a) A-2
- (b) B-4
- (c) C-1
- (d) D-2

[Answer](#)

---

2. Choose the correctly matched pair from the following

Column A	Column B
A. Goods used by producer for producing consumer goods	1. Consumer goods
B. Goods used by consumer for direct satisfaction	2. Capital goods
C. Non-marketable transactions	3. Afforestation

D. Positive externalities	4. Household services
---------------------------	-----------------------

- (a) A-2
- (b) B-3
- (c) C-1
- (d) D-4

[Answer](#)

---

### National Income and Related Aggregates MCQ Questions

3. Choose the correctly matched pair from the following

Column A	Column B
A. Money supply	1. Injection
B. National income	2. Stock
C. Investment	3. Leakage
D. Tax	4. Flow

- (a) B-3
- (b) A-4
- (c) C-1
- (d) D-2

[Answer](#)

---

4. Choose the correctly matched pair from the following

Column A	Column B
A. Negative externality	1. Deforestation
B. Expenditure incurred on purchasing intermediate goods	2. Transfer Income
C. Used for consumption by consumer	3. Intermediate cost
D. Unilateral concept	4. Final product

- (a) A-1
- (b) B-3
- (c) C-2
- (d) D-4

[Answer](#)

---

5. Choose the correctly matched pair from the following

Column A	Column B
A. Difference between indirect tax and subsidy	1. Stock variable
B. Residual income of entrepreneurs	2. Net indirect tax
C. Variable of static nature	3. Profit

D. Variable of dynamic nature	4. Flow variable
-------------------------------	------------------

- (a) A-1
- (b) B-2
- (c) C-3
- (d) D-4

1. The system, wherein trade can be carried out through the exchange of goods and services is called the: –

- a) Barter system
- b) Monetary system
- c) Goods system
- d) None of the above

[Answer](#)

---

2. Aman, a vegetable seller, exchanged 4 apples with Rahul, a cloth dealer for 1 meter of cloth. This is an example of: –

- a) Barter system
- b) Monetary system
- c) Goods system
- d) None of the above

[Answer](#)

---

3. Which of the following, solves the problem of “Double coincidence of wants”?

- a) Goods
- b) Banks
- c) Money
- d) All of the above

[Answer](#)

---

4. The problem of “Double coincidence of wants” is solved by which of the following: –

- a) Goods
- b) Money
- c) Banks
- d) All of the above

[Answer](#)

---

5. Double coincidence of wants refers to the \_\_\_\_\_ fulfillment of \_\_\_\_\_ wants of the buyer and seller: –

- a) Simultaneous; Mutual –
- b) Sequential; Mutual
- c) Mutual; simultaneous
- d) Mutual; Sequential

[Answer](#)

---

6. A owns a camel that he wants to trade for a goat. However, there are no sellers of goats in the market. This is an example of: –

- a) Lack of Double coincidence of wants
- b) Existence of Double coincidence of wants
- c) Simultaneous coincidence of wants
- d) Sequential coincidence of wants

[Answer](#)

---

7. Which of the following is a function of money?

- a) Medium of exchange
- b) Store of value
- c) Measure of value
- d) All of the above

[Answer](#)

---

8. Which of the following is the thing that is generally accepted by everyone as a medium of exchange?

- a) Money
- b) Goods
- c) Services
- d) None of the above

[Answer](#)

---

9. Money, comprises of which of the following, which assist in conducting business transactions: – contains:

- a) Coins



- b) Currency notes
- c) Cheques
- d) All of the above

[Answer](#)

---

10. Money supply is which \_\_\_\_\_ concept?

- a) Stock
- b) Flow
- c) Monetary
- d) None of the above

[Answer](#)

---

### **MCQs on Money and Banking Term 1 Macroeconomics Class 12**

11. The supply of Money is a: –

- a) Flow Concept
- b) Stock Concept
- c) Monetary Concept
- d) None of the above

[Answer](#)

---

12. Which function of money, removes the problem of double coincidence of wants?

- a) Measure of value
- b) Medium of exchange
- c) Store of value
- d) None of the above

[Answer](#)

---

13. In the present world, the act of purchase of goods, and sale of goods have been separated due to the existence of money. This has been facilitated by which of the following functions of money: –

- a) Measure of value
- b) Medium of exchange
- c) Store of value
- d) None of the above

[Answer](#)

---

14. Which function considers the value of the money in one unit?

- a) Medium of exchange
- b) Measure of value
- c) Store of value
- d) Standard for deferred payments

[Answer](#)

---

15. Which function allows the payment to be delayed till future date?

- a) Medium of exchange
- b) Measure of value
- c) Store of value
- d) Standard of deferred payments

[Answer](#)

---

16. Money acts as a common denomination to express the exchange ratio of goods. This has been facilitated by which of the following functions of money : –

- a) Medium of exchange
- b) Measure of value
- c) Store of value
- d) Standard Measure

[Answer](#)

---

17. Which of the following is not a measure of money supply ?

- a) M1
- b) M0
- c) M2
- d) M4

[Answer](#)

---

18. Which of the following aspects are true about the money supply : –

- a) It is the total volume of money held by public
- b) Such money is held at a particular point of time
- c) The money is held in an economy
- d) All of the above

[Answer](#)

---

19. Which of the following is not a feature of money supply ?

- a) It includes money held by public
- b) It includes money held by banks
- c) It is a stock concept
- d) All of the above

[Answer](#)

---

20. Which of the following is the most liquid form of money supply ?

- a) M1
- b) M2
- c) M3
- d) M4

[Answer](#)

---

### **Money and Banking Class 12 MCQ with Answers**

21. Which of the following is the most liquid and least liquid form of money supply, in that order ?

- a) M1 : M4
- b) M2 M4
- c) M3 M4
- d) M4 :M1

[Answer](#)

---

22. Which of the following is the least liquid form of money supply ?

- a) M1
- b) M2
- c) M3
- d) M4

[Answer](#)

---

23. M1 and M2 makes make up

- a) Narrow money supply
- b) Broad money supply
- c) Broken money supply
- d) None of the above

[Answer](#)

---

24. M3 and M4 makes make up
- a) Narrow money supply
  - b) Broad money supply
  - c) Broken money supply
  - d) None of the above

[Answer](#)

---

25. High powered money is the money which is produced by
- a) RBI
  - b) Government
  - c) Commercial banks
  - d) Both (a) and (b)

[Answer](#)

---

### **Money and Banking Class 12 MCQ with Answers**

26. Government \_\_\_\_\_ RBI, produce High powered money .
- a) And
  - b) Or
  - c) Nor
  - d) Both (a) and (b)

[Answer](#)

---

27. Which of the following is not included in high powered money ?
- a) Currency held by public
  - b) Cash reserves held by banks
  - c) Demand deposits with banks
  - d) None of the above

[Answer](#)

---

28. M1 consists of, which of the following : –

- a) Currency held by public
- b) Demand deposits with commercial banks
- c) Other deposits with RBI
- d) All of the above

[Answer](#)

---

29. M1 excludes which of the following : –

- a) Currency held by public
- b) Demand deposits with commercial banks
- c) Other deposits with RBI
- d) None of the above

[Answer](#)

---

30. Which of the following statement is correct ?

- a)  $M3 = M1 + \text{Net time deposits with banks}$
- b)  $M3 = M2 + \text{savings with post office}$
- c)  $M3 = M2 + \text{net time deposits with bank}$
- d)  $M2 = M3 + \text{currency held with banks}$

[Answer](#)

---

### **Money and Banking MCQs with Answers for Class 12**

31. Which of the following is not a Commercial Bank ?

- a) State bank of India ;
- b) Punjab National Bank ;
- c) RBI ;
- d) Canara Bank .

[Answer](#)

---

32. Which of the following is not the primary function of commercial banks?

- a) Accepting deposits
- b) Advancing loans
- c) Both (a) and (b)
- d) None of the above

[Answer](#)

---

33. The difference between two interest rates is called : –

- a) Spread

- b) Margin
- c) Profit
- d) None of the above

[Answer](#)

---

34. The fraction of deposits to be kept by the bank, which cannot be given as loans is called

- a) CRR
- b) SLR
- c) LRR
- d) None of the above

[Answer](#)

---

35. Money multiplier is also known as

- a) Credit multiplier
- b) Deposit multiplier
- c) Both (a) and (b)
- d) None of the above

[Answer](#)

---

36. If LRR is 20%, what is the money multiplier?

- a) 2
- b) 10
- c) 5
- d) 4

[Answer](#)

---

37. What are the total deposits if LRR is 25% and initial deposits are Rs. 100000?

- a) 250000
- b) 500000
- c) 400000
- d) 800000

[Answer](#)

---

38. Which of the following equations is true?

- a) Initial deposits = Total deposits x Money multiplier
- b) Total deposits = Initial deposits x Money multiplier
- c) Total deposits = Initial deposits + Money multiplier
- d) Initial deposits = Total deposits LRR

[Answer](#)

---

39. Why do banks only keep a fraction of deposits ?

- a) All depositors do not withdraw at the same time
- b) There is constant flow of deposits in economy
- c) Both (a) and (b)
- d) None of the above

[Answer](#)

---

40. Commercial banks work for the purpose of

- a) Welfare
- b) Earning profit
- c) Both (a) and (b)
- d) None of the above

[Answer](#)

---

### **Money and Banking Class 12 Economics MCQ with Answers**

41. Which of the following is not a bank?

- a) PNB
- b) SBI
- c) LIC
- d) None of the above

[Answer](#)

42. If initial deposits are Rs. 500 and LRR is 10%, what is money multiplier?

- a) 2
- b) 20
- c) 10
- d) 1

[Answer](#)

---

43. LIC and UTI are not banks because:

- a) They do not advance loans

- b) They do not accept deposits
- c) They neither accept deposits nor advance loans
- d) None of the above

[Answer](#)

---

44. Which of the following is not a function of Central Bank ?

- a) Accept deposits
- b) Custodian of foreign exchange
- c) Bank of issue
- d) Supervision

[Answer](#)

---

45. Which of the following is an apex body for banking system in India?

- a) SBI
- b) Private Banks
- c) Central Banks
- d) None of the above

[Answer](#)

---

46. What does the Central Bank do?

- a) Regulates the banking system
- b) Operates the monetary system
- c) Controls the banking system
- d) All of the above

[Answer](#)

---

47. Which of the following is the Central Bank of India?

- a) RBI
- b) LIC
- c) SBI
- d) UTI

[Answer](#)

---

48. Which of the following is the Central Bank of USA?

- a) RBI



- b) World Bank
- c) Union Bank
- d) Federal Reserve System

[Answer](#)

---

49. Which function of RBI leads to uniformity in note circulation ?

- a) Bank of issue
- b) Custodian of cash reserve
- c) Controller of money supply
- d) Banker's bank

[Answer](#)

---

50. RBI has the sole authority to issue currency in India. Which of the following functions is highlighted here ?

- a) Custodian of cash reserve
- b) Bank of issue
- c) Banker's bank
- d) Controller of credit

[Answer](#)

---

### **Money and Banking Class 12 Multiple Choice Questions**

51. Which of the following is an advantage of "Bank of issue" ?

- a) Brings uniformity in note circulation
- b) Ensures public faith in currency system
- c) Stabilization in external and internal value of currency
- d) All of the above

[Answer](#)

---

52. Central bank acts as : –

- a) An Agent
- b) A Banker
- c) A Financial advisor
- d) All of the above

[Answer](#)

---

53. By carrying out all the banking activities , Central Bank acts as

- a) Banker to the Government
- b) Banker to the people of the Country
- c) Banker to the Private companies
- d) None of the above

[Answer](#)

---

54. By managing the responsibility of public debt, Central Bank acts as

- a) A Banker
- b) An Agent
- c) A Financial advisor
- d) None of the above

[Answer](#)

---

55. By advising the Government from time to time, Central Bank acts as

- a)
- a) A Banker
- b) An Agent
- c) A Financial advisor
- d) None of the above

[Answer](#)

---

56. Read the following statement and choose the correct alternative  
Statement 1- Anything which is generally accepted as a medium of exchange, measure of value and standard of deferred payment is called money

Statement 2- Amount of money held by public and circulated at any period of time is called money supply

- a) Both are correct
- b) Both are wrong
- c) Only 1 is correct
- d) Only 2 is correct

[Answer](#)

---

57. Read the following statement given below and choose the correct alternative

Statement 1- Currency includes deposits of foreign bank  
Statement 2- Demand deposit is payable on demand by bank.

- a) Only 1 is correct
- b) Only 2 is correct
- c) Both are correct
- d) None of the above

[Answer](#)

---

58. Read the following statement given below and choose the correct alternative

Statement 1- Bank is a financial institution which performs only one function i.e. To grant loans and advances

Statement 2- Bank is only commercial in nature.

- a) Both are correct
- b) Both are wrong
- c) Only 1 is correct
- d) Only 2 is correct

[Answer](#)

---

59. Read the following statement given below and choose the correct alternative

Statement 1- In ancient time people didn't use money for exchanging commodities

Statement 2- Barter system is the system of exchange of goods for goods.

- a) Only 1 is correct
- b) Only 2 is correct
- c) Both are wrong
- d) Both are correct

[Answer](#)

---

60. Read the following statement given below and choose the correct alternative

Statement 1- Loss of value was the major demerit of Barter system

Statement 2- There was a problem of storage in barter system

- a) Both are correct
- b) Both are wrong

- c) Only 2 is correct
- d) None of the above

Answer

### Class 12th Money and Banking MCQs with Answers

61. Match the following

Column A	Column B
A. Function of money	(1) Function of central bank
B. Currency and net demand deposit	(2) Quantity of deposit $\times$ 1/LRR
C. Control of credit	(3) Liquidity and uniformity of value
D. Total quantity of money created	(4) Measures of money supply in India

- a) A-2,B-3,C-4,D-1
- b) A-3,B-4,C-1,D-2
- c) A-3,B-2,C-1,D-4
- d) A-2,B-4,C-3,D-1

Answer

62. Match the following

Column A	Column B
A. 1/LRR	1. Creation of demand deposit with the help of initial deposit
B. Margin requirement	2. Currency+Demand deposit+Other deposit
C. Credit creation	3. Difference between value of security and loan granted against it
D. Money supply	4. Money Multiplier

- a) A-4,B-3,C-2,D-1
- b) A-3,B-4,C-1,D-2
- c) A-4,B-3,C-1,D-2
- d) A-2,B-1,C-4,D-3

Answer

63. "Sales and purchase of foreign exchange has increased tremendously". Choose the correct reason for the statement

- a) Increase in international trade
- b) Due to globalisation
- c) Usefulness of banks
- d) All of the above

[Answer](#)

---

64. "Central bank is an apex bank in the economy". Choose the correct reason for the above statement

- a) It controls the entire banking system
- b) It regulates other banks
- c) Supervisor of commercial banks
- d) All of the above

[Answer](#)

---

65. Central Bank of India

- a) State Bank of India
- b) Reserve bank of India
- c) Central Bank of India
- d) ICICI

[Answer](#)

---

66. Sole authority to issue currency

- a) RBI
- b) Central Bank
- c) Both (a) and (b)
- d) None of the above

[Answer](#)

---

67. Under barter system goods were exchanged with

- a) Cash Currency
- b) Coins
- c) Goods
- d) Services

Answer

---

68. Sameer wants 6 pencils in exchange for a book from vikram. But Vikram isn't agreeing to this condition. This is the example of

- a) Barter system
- b) Lack of double coincidence of wants
- c) Lack of common measurement
- d) All of the above

Answer

---

69. Functions of money are broadly classified into ;

- a) Long term and short term
- b) Primary and secondary
- c) Formal and informal
- d) None of the above

Answer

---

70. Medium of exchange and measure of value comes under which function of money

- a) Formal function
- b) Fiscal function
- c) Primary function
- d) Monetary function

Answer

---

71. Deferred payment refers to those payments which are;

- a) Not made at any point of time
- b) Promised to be made in the future
- c) Made through cheques
- d) All of the above

Answer

---

72. Read the following statement

Assertion (A) – HDFC is a commercial bank

Reason(R ) – It accepts deposits and grants loan

- a) Both assertion and reason are true. Reason is the correct explanation of assertion
- b) Both assertion and reason are true. Reason is not the true explanation of assertion
- c) Both are wrong
- d) Assertion is true but reason is wrong

[Answer](#)

---

73. Read the following statement

Assertion (A)- RBI is known as issuing authority.

Reason (R )- It has the monopoly power of issuing Currency.

- a) Both assertion and reason are true. Reason is not the correct explanation of assertion
- b) Both assertion and reason are true. Reason is the correct explanation of assertion
- c) Reason is true but assertion is not
- d) None of the above

[Answer](#)

---

### **Money and Banking Class 12 MCQ with Answers**

74. RBI uses which of the following tools to maintain the flow of money in domestic economy

- a) Quantitative measures
- b) Qualitative measures
- c) Fiscal measure
- d) Both (a) and (b)

[Answer](#)

---

75. Legal reserve requirement is the sum of ;

- a) CRR and SLR
- b) Money multiplier and LRR
- c) Total deposit and Initial deposit
- d) All of the above

[Answer](#)

---

76. RBI is the bank of government as

- a) It acts as banker
- b) It acts as a agent
- c) It acts as advisor
- d) All of the above

[Answer](#)

- 
77. RBI regulates banks by
- a) Issuing or cancelling license
  - b) By merging
  - c) Supervising time to time
  - d) All of the above

[Answer](#)

---

78. Credit creation works on which of the following assumptions
- a) All banks are considered single unit
  - b) All transactions are channelled through bank in cheque
  - c) Both (a) and (b)
  - d) None of the above

[Answer](#)

---

**Read the Case study given below and answer the following questions.**

The central bank of India , RBI is the apex association that controls the entire money related market. One of its critical limits is to stay aware of the hold of new exchange and keep up with the save of foreign trade. In like manner, it intercedes in the new exchange market to settle the outrageous difference the new transformation scale. As such, the public bank's should control a country's economy through monetary methodology; if the economy is moving steadily or moving backward, there are steps that the public bank can take to help the economy. These methods, whether or not they are asset purchases or printing more money, all incorporate mixing more cash into the economy. The essential natural market monetary projection occurs and money will deteriorate.

79. RBI uses which of the following tools to maintain the flow of money in domestic economy
- a) Quantitative measures
  - b) Qualitative measures
  - c) Fiscal measure
  - d) Both (a) and (b)

[Answer](#)

---

80. Capacities of RBI reaches to;
- a) Hold of foreign exchange reserves
  - b) Holding foreign trade



- c) Holding Country's economy
- d) All of the above

[Answer](#)

---

81. RBI is the bank of government as

- a) It acts as banker
- b) It acts as a agent
- c) Both (a) and (b)
- d) None of the above

[Answer](#)

---

82. RBI regulates banks by

- a) Issuing or cancelling license
- b) By merging
- c) Supervising time to time
- d) All of the above

[Answer](#)

---

83. The whole monetary market is controlled by (choose the correct alternative)

- a) Government
- b) RBI
- c) Both government and RBI
- d) None of the above

### **Determination of Income and Employment Class 12 MCQ**

1. \_\_\_\_\_ is called planned investment. ( Fill in the blank with correct alternative)

- a) Ex-ante investment
- b) Ex-post investment
- c) Both (a) and (b)
- d) None of the above

[Answer](#)

---

2. \_\_\_\_\_ is an ex-ante measure. ( Fill in the blank with correct alternative)

- a) Actual investment
- b) Planned consumption
- c) Actual output in the economy
- d) All of the above

[Answer](#)

---

3. The simplest consumption function assumes \_\_\_\_\_. ( Fill in the blank with correct alternative)

- a) Consumption changes at a constant rate as income changes
- b) Consumption changes faster with more income
- c) Consumption doesn't change with income
- d) Consumption changes with more supply

[Answer](#)

---

4. \_\_\_\_\_ is the change in the consumption per unit change in income. ( Fill in the blank with correct alternative)

- a) Average propensity to consume
- b) Marginal propensity to save
- c) Marginal propensity to consume
- d) Average propensity to save

[Answer](#)

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5. \_\_\_\_\_ is the consumption per unit of income. ( Fill in the blank with correct alternative)

- a) Marginal propensity to save
- b) Average propensity to save
- c) Average propensity to consume
- d) Marginal propensity to consume

[Answer](#)

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6. \_\_\_\_\_ is the saving per unit of income. ( Fill in the blank with correct alternative)

- a) Average propensity to consume
- b) Average propensity to save
- c) Marginal propensity to consume
- d) Marginal propensity to save

## Answer

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7. \_\_\_\_\_ refers to a situation where aggregate demand is equals to aggregate supply and resources are not fully employed in an economy.( Fill in the blank with correct alternative)
- a) Full employment equilibrium
  - b) Over full employment equilibrium
  - c) Under full employment equilibrium
  - d) None of the above

## Answer

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8. \_\_\_\_\_ is defined as addition to the stock of physical capital (Fill in the blank with correct alternative)
- a) Investment
  - b) Consumptions
  - c) Savings
  - d) All of the above

## Answer

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9. \_\_\_\_\_ refers to the amount by which actual aggregate demand is more than the aggregate demand required to establish full employment in economy. ( Fill in the blank with correct alternative)
- a)Deflation
  - b)Inflationary gap
  - c)Deflationary gap
  - d)Inflation

## Answer

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10. Piling up of stocks in the warehouses is known as \_\_\_\_\_.( Fill in the blank with correct alternative)
- a)Accumulation of inventories
  - b)Intended accumulation of inventories
  - c)Unintended accumulation of inventories
  - d)None of the above

## Answer

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### Determination of Income and Employment Class 12 MCQ

11. \_\_\_\_\_ refers to the rate at which RBI lends to commercial banks against security.( Fill in the blank with correct alternative)

- a)Repo rate
- b)Open market operation
- c)Reverse repo rate
- d)Marginal requirement

[Answer](#)

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12. In a given situation when  $AD > AS$  in an economy then \_\_\_\_\_. (Choose the correct alternative).

- a)General price level in the economy will decrease
- b)Inventory stock will increase beyond desired level
- c)Situation of excess demand arises
- d)Producers will increase planned output

[Answer](#)

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13. If MPC is 0.5 , then investment multiplier will be ( Choose the correct alternative)

- a) $\frac{1}{4}$
- b)0
- c)1
- d)2

[Answer](#)

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14. What will be the value of APS when APC is 0 ( Choose the correct alternative)

- a)0
- b)1
- c)2
- d) $\infty$

[Answer](#)

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15. Which of the following statements about APC is incorrect:

- a)APC can be greater and smaller than 1

- b)APC can be equal to 1
- c)APC can be zero
- d)APC falls with increase in income

[Answer](#)

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16. Which of the following statement about investment multiplier is incorrect:

- a)Maximum value of investment multiplier is  $\infty$
- b)Minimum value of investment multiplier is 0
- c) $K = \Delta Y / \Delta I$
- d)There is a Direct relationship between investment multiplier and MPC

[Answer](#)

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17. Open market operations include ( choose the correct alternative)

- a)Selling of securities
- b)Buying and selling of securities
- c)Buying and selling of government securities and bonds
- d)None of the above

[Answer](#)

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18. APC is equal to ( choose the correct alternative)

- a) $Y/C$
- b) $\Delta C / \Delta Y$
- c) $C/Y$
- d) $\Delta Y / \Delta C$

[Answer](#)

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19. If  $AS = C + S$  and  $AD = C + I$  , then equilibrium will be established at:  
(Choose the correct alternative)

- a) $S = I$
- b) $S > I$
- c) $S < I$
- d)All of the above

[Answer](#)

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20. Choose the correctly matched pair from the following

Column A	Column B
A. Demand curve	1. Positively sloped
B. Supply curve	2. Planned I = Planned S
C. Saving- income approach	3. 45° positively sloped
D. Equilibrium level of Income	4. Alternative approach of AD – AS

- a)A-4
- b)B-1
- c)C-3
- d)D-2

[Answer](#)

### Determination of Income and Employment Class 12 MCQ

21. Choose the correctly matched pair from the following

Column A	Column B
A. Fall in Aggregate demand	1. Causes inflation
B. Deflationary gap	2. Over employment equilibrium
C. Increase in aggregate demand	3. Causes deflation
D. Inflationary gap	4. Under full employment equilibrium

- a)A-4
- b)B-1
- c)C-3
- d)D-2

[Answer](#)

22. Read the following statement given below and choose the correct alternative

Statement 1- If the people of the economy save more, income will increase.

Statement 2- If the people of the economy save less, Income will

decrease

- a) Both are correct
- b) Both are incorrect
- c) Statement 1 is correct and statement 2 is incorrect
- d) Statement 1 is incorrect and statement 2 is correct

[Answer](#)

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23. Read the following statement given below and choose the correct alternative

Statement 1- The equilibrium output in the economy determines the level of employment in the economy

Statement 2- Full employment level of income is the level where all the resources are partially employed

- a) Both are correct
- b) Both are incorrect
- c) Statement 1 is correct and statement 2 is incorrect
- d) Statement 1 is incorrect and statement 2 is correct

[Answer](#)

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24. Read the following statement given below and choose the correct alternative

Statement 1- Paradox of thrift states that savings are a part of everyday life

Statement 2- Household expenditure and savings are the components of aggregate demand

- a) Both are correct
- b) Both are incorrect
- c) Statement 1 is correct and statement 2 is incorrect
- d) Statement 1 is incorrect and statement 2 is correct

[Answer](#)

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25. Read the following statement given below and choose the correct alternative

Assertion (A)- The demand curve is a positively sloped straight line

Reason (R)- Aggregate demand is Sum of investment and consumption

- a) Both assertion and reason are true. Reason is the correct explanation of assertion
- b) Both assertion and reason are true. Reason is not the correct explanation of assertion

- c) Assertion is true but reason is not
- d) Reason is true but Assertion is not

[Answer](#)

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26. Read the following statement given below and choose the correct alternative

Assertion (A)- Deficient demand is the State in which actual aggregate demand is less than the aggregate demand/supply required for equilibrium

Reason (R )- There is a fall in consumption expenditure, If propensity to consume Decreases.

- a) Both assertion and reason are true. Reason is the correct explanation of assertion
- b) Both assertion and reason are true. Reason is not the correct explanation of assertion
- c) Assertion is true but reason is not
- d) Reason is true but assertion is not

[Answer](#)

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27. Read the following statement given below and choose the correct alternative

Assertion (A)- Deficit financing is the process of issuing new currency by RBI to grant loan to government

Reason (R)- Deficit financing causes deflation in the economy

- a) Both assertion and reason are true. Reason is the correct explanation of assertion
- b) Both assertion and reason are true. Reason is not the correct explanation of assertion
- c) Assertion is true but reason is not
- d) Reason is true but assertion is not

[Answer](#)

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28. "Consumption curve is a straight line", due to

- a) Zero income level
- b) Constant marginal propensity to consume
- c) Inverse in consumption
- d) All of the above

[Answer](#)



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29. "The aggregate demand in an economy is rising". What can be the possible reasons for this?

- a) Rise in exports
- b) Fall in imports
- c) Rise in investment expenditure
- d) All of the above

[Answer](#)

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30. "The aggregate demand in an economy is falling". What can be the possible reasons for this?

- a) Fall in government expenditure
- b) Fall in imports
- c) Fall in consumption expenditure
- d) All of the above

[Answer](#)

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31. "Firms are planning to invest more than what households are planning to save". What can be the possible reasons for this?

- a)  $\text{Investment} < \text{Savings}$
- b)  $\text{Investment} > \text{Savings}$
- c)  $\text{Investment} = \text{Savings}$
- d) None of the above

[Answer](#)

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32. "Households and firms are planning to purchase less than what producers are planning to supply". What are the possible reasons for this?

- a)  $\text{Aggregate demand} = \text{Aggregate supply}$
- b)  $\text{Aggregate demand} > \text{Aggregate supply}$
- c)  $\text{Aggregate demand} < \text{Aggregate supply}$
- d) None of the above

## Holidays Homework Accounts

1. Revise balance sheet as per Companies Act 2013. Tools for making financial statements analysis

A. Common size statement

B. Comparative statement

C. Ratio analysis and

D. Cash flow statement

This is for part B and marks allotted are 20.

Part A

Shares and debentures      20 marks Revise all illustrations of shares and debentures.

## **Holidays Homework Entrepreneurship**

1. Revise unit 1 and 2.
2. Solve all application based questions given in class.
3. Prepare questionnaires for conducting surveys.

## **Holidays Homework Business Studies**

1. Revise notes of unit 1, 2, 3 and 4
2. Solve application based questions given in the exercise.
3. Collect required information for your project work.
4. Complete your notes and revise the same for QT -1.