## **Chapterwise Question**

## DETERMINATION OF INCOME AND EMPLOYMENT

## **Class 12 - Economics**

Time Al	lowed: 3 hours	Maximum Mark	ks: 80
1.	Given Marginal Propensity to Save as 0.2, an addition	onal investment of $\mathfrak{T}$ 1,000 crore will result in a total	[1]
	increase in national income of the value of:		
	a) ₹ 2,000 crore	b) ₹ 10,000 crore	
	c) ₹ 8,000 crore	d) ₹ 5,000 crore	
2.	If MPC is equal to 1, the value of the multiplier is:		[1]
	a) between 0 and 1	b) infinity	
	c) 1	d) 0	
3.	If APC of an economy is 0.6, savings at the income	level of ₹ 1,000 crore will be	[1]
	a) ₹ 600 crore	b) ₹ 400 crore	
	c) ₹ 300 crore	d) ₹ 100 crore	
4.	What is the value of MPC when MPS is zero?		[1]
	a) 1	b) > 1	
	c) 0	d) < 1	
5.	Ex-ante investment means:		[1]
	a) planned savings in the economy	b) actual investment in the economy	
	c) planned Investment in the economy	d) actual savings in the economy	
6.	<b>Assertion (A):</b> If a family's marginal propensity to tenths of its total income.	consume is 0.70, then it will necessarily consume seven-	[1]
	<b>Reason (R):</b> Average Propensity to Consume repressores corresponding level of income.	sents the ratio of absolute consumption expenditure to the	
	a) Both A and R are true and R is the correct explanation of A.	b) Both A and R are true but R is not the correct explanation of A.	
	c) A is true but R is false.	d) A is false but R is true.	
7.	<b>Assertion (A):</b> In residential real estate, both sales and new launches contracted in 2020-21. <b>Reason (R):</b> One of major impact of lock down is sluggish consumer sentiments.		
	a) Both A and R are true and R is the correct explanation of A.	b) Both A and R are true but R is not the correct explanation of A.	
	c) A is true but R is false.	d) A is false but R is true.	
8.	<b>Assertion (A):</b> The presence of autonomous consur increase in the initial phases of development.	nption expenditure ensures that the increase will definitely	[1]

	<b>Reason (R):</b> Due to Autonomous consumption expe	enditure, Aggregate demand is always greater than income in acrease in the initial level.		
	a) Both A and R are true and R is the correct explanation of A.	b) Both A and R are true but R is not the correct explanation of A.		
	c) A is true but R is false.	d) A is false but R is true.		
9.	If the entire additional income of an economy is con	sumed, the value of investment multiplier will be	[1]	
	a) one (1)	b) ten (10)		
	c) zero (0)	d) not defined ( $\infty$ )		
10.	When the level of saving increases by 1,500, income increases by 3,000, the value of multiplier will be:			
	a) 2 times	b) 4 times		
	c) 7 times	d) 5 times		
11.	In an economy, MPC is 0.75. What will be the incre	ase in income if investment increases by $\mathbb{R}$ 200 crores?	[1]	
	a) ₹ 1,000 crores	b) ₹ 800 crores		
	c) ₹ 200 crores	d) ₹ 150 crores		
12.	If C = 80 + 0.75Y, what will the value of income mu		[1]	
	a) 5	b) 6		
	c) 7	d) 4		
13.	<b>Assertion (A):</b> Higher the value of MPC, more is th		[1]	
	<b>Reason (R):</b> Multiplier is directly related to MPC.			
	a) Both A and R are true and R is the correct explanation of A.	b) Both A and R are true but R is not the correct explanation of A.		
	c) A is true but R is false.	d) A is false but R is true.		
14.	Assertion (A): Full employment implies absence of	involuntary unemployment.	[1]	
	<b>Reason (R):</b> During full employment all willing and there is no involuntary unemployment.	d capable people get work without any undue difficulty and		
	a) Both A and R are true and R is the correct explanation of A.	b) Both A and R are true but R is not the correct explanation of A.		
	c) A is true but R is false.	d) A is false but R is true.		
15.	Assertion (A): When Investment Multiplier is 1, the	e value of MPC is also 1.	[1]	
	<b>Reason (R):</b> Consumption can exceed Income but Savings cannot.			
	a) Both A and R are true and R is the correct explanation of A.	b) Both A and R are true but R is not the correct explanation of A.		
	c) A is true but R is false.	d) A is false but R is true.		
16.	<b>Assertion (A):</b> Multiplier assumes value between ze <b>Reason (R):</b> The value of the multiplier is determin	ero and infinity. ed by the value of the marginal propensity to consume.	[1]	
	a) Both A and R are true and R is the correct explanation of A.	b) Both A and R are true but R is not the correct explanation of A.		

EC

	c) A is true	e but R is false.		d) A is false but R	is true.	
17.	Which of the following can be used to correct the inflationary gap under Monetary Policy?				[1]	
	a) Cut in tl	he cost of credit		b) Increase in taxat	tion	
	c) Cut in g	overnment expendit	ure	d) None of these		
18.	Identify the co	orrect statement:				[1]
	,	e in CRR increases th v of the banks.	ne lending	b) Excess demand	leads to decrease in output.	
	c) Reducti	on in government sp	ending leads to	d) Monetary policy	y is the policy of the	
	fall in ir	ncome.		government to c	control credit and money	
				supply		
19.	Which of the	following forms a pa	art of fiscal policy?			[1]
	a) Open m	arket operation		b) Moral suasion		
	c) Cash Re	eserve Ratio		d) Deficit financing	g	
20.	Assertion (A)	: Inflationary pressu	ire takes place when	the economy is in f	ull employment.	[1]
	Reason (R):	Due to the rise in der	nand and rigid suppl	y, the price of the g	oods tends to rise.	
	,	and R are true and R tion of A.	is the correct	b) Both A and R and Correct explanat	re true but R is not the ion of A.	
	-	e but R is false.		d) A is false but R		
21.			stment by Rs 100 cro		in National Income by Rs 1,000	[3]
		-	2		·	[0]
22.	crores. Find Marginal Propensity to Consume and change in consumption expenditure. From the following data calculate the equilibrium level of National Income,					[3]
	Autonomous	consumption =Rs.50	0			
	Marginal Prop	pensity to Save = 0.2				
	Investment =I	Rs.2,000.				
23.	Explain the di	stinction between vo	oluntary and involun	tary unemployment.		[3]
24.	Explain the role of taxation in reducing excess demand. [3]				[3]	
25.					e equilibrium income. (b) What are	[4]
		-	e? Does the governn	ent have a balanced	d budget?	
26.	Complete the following table. [4]					[4] 1
	Income (Y)	Consumption (C)	Marginal Propens	ity to Save (MPS)	Average Propensity to Save (APS)	
	0	40				
	50	70				

27. Calculate Autonomous Consumption expenditure from the following data about an economy which is in equilibrium:

.....

.....

National Income = Rs 1,200

100

150

100

120

[4]

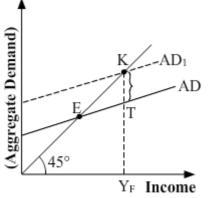
.....

.....

Marginal Propensity to Save = 0.20

Investment expenditure = Rs 100

- 28. What is the difference between ex-ante investment and ex-post investment?
- 29. In the given figure, what does the gap KT represent? State any two fiscal measures to correct the situation. [4]



## (Full Employment Level of Income)

30.	Calculate the change in final income, if Marginal Propensity to Consume (MPC) is 0.8 and change in initial	[4]
	investment is ₹1,000 crores.	
31.	From the data given below about an economy, calculate	[6]
	i. Investment expenditure	
	ii. Consumption expenditure.	
	Equilibrium level of Income = Rs. 5,000	
	Autonomous Consumption = Rs. 500	
	Marginal Propensity to Consume = 0.4.	
32.	What changes will take place to bring an economy in equilibrium, if	[6]
	i. Planned savings are greater than planned investment	
	ii. Planned savings are less than planned investment	
33.	Explain the role of the following in correcting the inflationary gap in an economy.	[6]
	i. Bank rate	
	ii. Margin requirements	
	iii. Legal reserve	
	iv. Open market operations	
34.	Explain the situation of deficient demand in an economy. Also, explain the role of repo rate in correcting this.	[6]

[4]