

## Chapterwise Question

### DETERMINATION OF INCOME AND EMPLOYMENT

#### Class 12 - Economics

Time Allowed: 3 hours

Maximum Marks: 80

1. Given Marginal Propensity to Save as 0.2, an additional investment of ₹ 1,000 crore will result in a total increase in national income of the value of: [1]
  - 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. **Assertion (A):** If a family's marginal propensity to consume is 0.70, then it will necessarily consume seven-tenths of its total income. [1]  
**Reason (R):** Average Propensity to Consume represents the ratio of absolute consumption expenditure to the corresponding level of income.
  - 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. **Assertion (A):** In residential real estate, both sales and new launches contracted in 2020-21. [1]  
**Reason (R):** 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. **Assertion (A):** The presence of autonomous consumption expenditure ensures that the increase will definitely increase in the initial phases of development. [1]

**Reason (R):** Due to Autonomous consumption expenditure, Aggregate demand is always greater than income in the initial phases due to which income and output increase 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 consumed, 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: [1]
- a) 2 times                      b) 4 times
- c) 7 times                      d) 5 times
11. In an economy, MPC is 0.75. What will be the increase in income if investment increases by ₹ 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 multiplier? [1]
- a) 5                      b) 6
- c) 7                      d) 4
13. **Assertion (A):** Higher the value of MPC, more is the value of multiplier. [1]  
**Reason (R):** 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]  
**Reason (R):** During full employment all willing and capable people get work without any undue difficulty and there is no involuntary unemployment.
- 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 value of MPC is also 1. [1]  
**Reason (R):** 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. **Assertion (A):** Multiplier assumes value between zero and infinity. [1]  
**Reason (R):** The value of the multiplier is determined by the value of the marginal propensity to consume.
- 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.

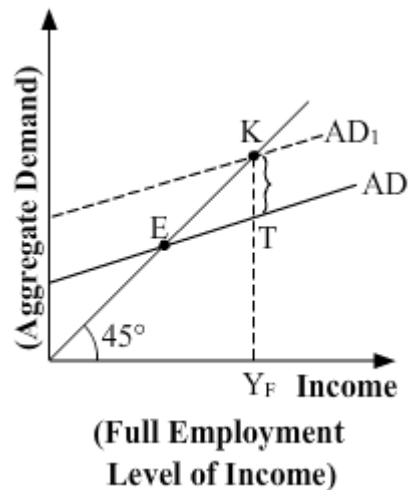


Marginal Propensity to Save = 0.20

Investment expenditure = Rs 100

28. What is the difference between ex-ante investment and ex-post investment? [4]

29. In the given figure, what does the gap KT represent? State any two fiscal measures to correct the situation. [4]



30. Calculate the change in final income, if Marginal Propensity to Consume (MPC) is 0.8 and change in initial investment is ₹1,000 crores. [4]

31. From the data given below about an economy, calculate [6]

- Investment expenditure
- 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]

- Planned savings are greater than planned investment
- Planned savings are less than planned investment

33. Explain the role of the following in correcting the inflationary gap in an economy. [6]

- Bank rate
- Margin requirements
- Legal reserve
- Open market operations

34. Explain the situation of deficient demand in an economy. Also, explain the role of repo rate in correcting this. [6]