



# ST. LAWRENCE HIGH SCHOOL

*A Jesuit Christian Minority Institution*



## Answerkey 54

**Sub: Economics Class: XII**

**Chapter 15: Determination of equilibrium level of income F.M.: 15**

**Topic: APC, APS, MPC, MPS**

**Date: 27/11/2020**

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### Multiple choice questions

**1x15 = 15**

1. \_\_\_\_\_ is the author of the book, General Theory of Employment, Interest and Money.
  - a. Smith,
  - b. Marx,
  - c. Keynes,
  - d. Marshall.Ans: c. Keynes.
2. In the Keynesian Theory average propensity to consume \_\_\_\_\_ as national income increases.
  - a. Increases,
  - b. Decreases,
  - c. Remains the same,
  - d. First increases and decreases.Ans: b. Decreases.
3. When the APC decreases APS \_\_\_\_\_.
  - a. Decreases,
  - b. Increases,
  - c. Remains the same,
  - d. Zero.Ans: b. Increases.
4.  $APC + APS =$  \_\_\_\_\_.
  - a. 0,
  - b. 1,
  - c. 2,
  - d. 3.Ans: b. 1.
5. Equilibrium level of \_\_\_\_\_ is determined where the aggregate demand curve intersects the 45 degree line.
  - a. National income,
  - b. Employment,

- c. Rate of interest,
- d. Expenditure.

Ans: a. National income.

6.  $MPC + MPS =$  \_\_\_\_\_.

- a. 1,
- b. 0,
- c. 2,
- d. 3.

Ans: a. 1.

7. Inflation is a process through which \_\_\_\_\_ increases continuously.

- a. Money supply,
- b. Price level,
- c. Production,
- d. Income level.

Ans: b. Price level.

8. In a situation of full employment if aggregate demand increases, the resulting inflation is known as \_\_\_\_\_ inflation.

- a. Demand pull,
- b. Cost push,
- c. Suppressed,
- d. Partial.

Ans: a. Demand pull.

9. Inflation arising out of rise in wage rate in a situation of less than full employment is known as \_\_\_\_\_ inflation.

- a. Demand pull,
- b. Cost push,
- c. Mixed,
- d. Depressed.

Ans: b. Cost push

10. If  $MPC = 0.6$  then the value of  $MPS =$  \_\_\_\_\_.

- a. 0.6
- b. 0.4
- c. 1.6,
- d. 0.36.

Ans: b. 0.4.

11. If  $APC = 0.5$  then  $APS$  will be \_\_\_\_\_.

- a. 0.5,
- b. 0.1,
- c. 1,
- d. 0.25.

Ans: a. 0.5

12. Autonomous investment curve will be \_\_\_\_\_.

- a. Upward rising,
- b. Downward sloping,
- c. Horizontal,
- d. Vertical.

Ans: a. upward rising.

13. The relation between consumption expenditure and income is known as \_\_\_\_\_ function.

- a. Demand,
- b. Consumption,
- c. Utility,
- d. Cost.

Ans: b. Consumption.

14. If  $MPC = 0.5$ , then  $MPS =$ \_\_\_\_\_.

- a. 0.5,
- b. 0.4,
- c. 1,
- d. 0.6.

Ans: a. 0.5.

15. \_\_\_\_\_ is that part of income which is not consumed.

- a. Saving,
- b. Investment,
- c. Cost,
- d. Production.

Ans: a. Saving.

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