



# ST. LAWRENCE HIGH SCHOOL

*A Jesuit Christian Minority Institution*



## Answerkey 55

**Sub: Economics Class: XII**

**Chapter 17: Fiscal Policy**

**F.M.: 15**

**Topic: Fiscal Policy**

**Date: 28/11/2020**

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### Multiple choice questions

**1x15 = 15**

1. According to \_\_\_\_\_ income and employment can be increased through deficit financing.
- Smith,
  - Marx,
  - Keynes,
  - Marshall.

Ans: c. Keynes.

2. That policy of the government which works through the budget is known as \_\_\_\_\_ policy.

- Monetary,
- Fiscal,
- Income,
- Revenue.

Ans: b. Fiscal.

3. When the APC decreases APS \_\_\_\_\_.

- Decreases,
- Increases,
- Remains the same,
- Zero.

Ans: b. Increases.

4.  $APC + APS =$  \_\_\_\_\_.

- 0,
- 1,
- 2,
- 3.

Ans: b. 1.

5. The value of balanced budget multiplier is \_\_\_\_\_.

- 1,
- <1,
- >1,

d. 0.

Ans: a. 1.

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

a. 1,

b. 0,

c. 2,

d. 3.

Ans: a. 1.

7. The objective of anti-inflationary fiscal policy is to reduce\_\_\_\_\_.

a. Aggregate demand,

b. Rate of interest,

c. Supply of money,

d. National income.

Ans: b. Aggregate demand.

8. Inflation is a process through which \_\_\_\_\_increases continuously.

a. Money supply,

b. Price level,

c. Production,

d. Income level.

Ans: b. Price level.

9. 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.

10. If in the budget total revenue is less than total expenditure it is known as \_\_\_\_\_budget.

a. Surplus,

b. Deficit,

c. Balanced,

d. Capital.

Ans: b. Deficit.

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. To control inflation, inflationary gap should be \_\_\_\_\_.

- a. Increased,
- b. Reduced,
- c. Zero,
- d. Maximum.

Ans: b. Reduced.

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

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

Ans: c. Horizontal.

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

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

Ans: b. Consumption.

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

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

Ans: a. 0.5.

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