CBCS
IV SEMESTER
DEPARTMENT OF ECONOMICS
OBJECTIVES
NAME OF THE PAPER : MACROECONOMICS -II
PAPER – IV

SECTION –A
MULTIPLE CHOICE QUESTIONS

MODULE-I : MONEY

A. Choose the correct answer:

1. The value of money in Fisher's equation is determined by
   (a) Demand for money ( )
   (b) Supply of money ( )
   (c) **Demand and supply of money** ( )
   (d) None of the above ( )

2. According to the Quantity Theory of Money, the value of money depends upon
   (a) **Quantity theory of money in circulation** ( )
   (b) Purchasing power of money ( )
   (c) Demand for money ( )
   (d) Price level ( )

3. According to Cambridge equation, the value of money depends upon
   (a) **Demand for money** ( )
   (b) Supply of money ( )
   (c) Demand for goods and services ( )
   (d) All of the above ( )

4. The degree of relationship between the demand for and the supply of money in Fisher's equation will be
   (a) $supply > demand$ ( )
   (b) $\boldsymbol{supply = demand}$ ( )
   (c) $supply < demand$ ( )
   (d) None of the above ( )

5. Which is not the function of money
   (a) **Make demand and supply equal** ( )
   (b) Store of value ( )
   (c) Medium of exchange ( )
   (d) Measure of value ( )

6. High-powered money is also known as
   (a) Base money ( )
   (b) Reserve money ( )
   (c) Narrow money ( )
   (d) **All of the above** ( )
7. Who stated, "Bad money drives good money out of circulation, when both of them are full legal tender"?
   (a) Irving Fisher ( )
   (b) Milton Friedman ( )
   (c) J.M. Keynes ( )
   (d) **Thomas Gresham** ( )

8. Value of money is
   (a) Directly related to the price level ( )
   (b) **Inversely related to the price level** ( )
   (c) Proportionately related to the price level ( )
   (d) All the above ( )

9. Who stated, "Money is what money does"?
   (a) Milton Friedman ( )
   (b) **Walker** ( )
   (c) Irving Fisher ( )
   (d) Thomas Gresham ( )

10. Fisher's cash transaction equation is expressed as
   (a) $\boldsymbol{P = \frac{MV}{T}}$ ( )
   (b) $K = \frac{M}{PT}$ ( )
   (c) $V = \frac{I}{K}$ ( )
   (d) $P = \frac{M}{KT}$ ( )

11. Barter system means
   (a) Purchase of commodity with money ( )
   (b) Sale of commodity with money ( )
   (c) **Purchase and sale of commodity with commodity** ( )

(d) None of the above ( )

12. Which among the following is considered to be the most liquid asset?
    (a) Gold ( )
    (b) **Money** ( )
    (c) Land ( )
    (d) Treasury bonds ( )

13. Currency notes and coins are called as:
    (a) flat money ( )
    (b) legal tenders ( )
    (c) Fiat money ( )
    (d) **Both (b) and (c)** ( )

14. Convertible money means
    (a) It can buy goods ( )
    (b) **Government can give gold against it** ( )
    (c) Illegal money ( )
    (d) Low value of money ( )

15. Barter system has the defect of
    (a) Goods exchanged are of inferior quality ( )
    (b) Goods cannot be exchanged for services ( )
    (c) **Lack of common measure of value** ( )
    (d) None of the above ( )

16. Legal money is called so because
    (a) The buyer must pay in that money ( )
    (b) Can be converted into gold ( )
    (c) Sellers do not accept any other money ( )
    (d) **It is official medium of exchange** ( )

17. The most important feature of money is
    (a) **General acceptability** ( )
    (b) Convertibility into gold ( )
    (c) Store of value ( )
    (d) Medium of exchange ( )

18. Which property the paper money does not possess:
    (a) acceptability ( )
    (b) Divisibility ( )
    (c) **Durability** ( )
    (d) Portability ( )

19. In the equation $MV = PY, V\ represents$
    (a) Value of money ( )
    (b) **Velocity of circulation of money** ( )
    (c) Variation of national income ( )
    (d) All of the above ( )

20. In the equation $MV = PY, M\ represents$
    (a) **Money supply** ( )
    (b) Money demand ( )
    (c) Maximum output ( )
    (d) Minimum output ( )

21. According to Keynes, motives for holding money are
    (a) Two ( )
    (b) **Three** ( )
    (c) Four ( )
    (d) Five ( )

22. Under normal circumstances, the velocity of circulation of money in a country is
    (a) 100 % ( )
    (b) Negative ( )
    (c) **Less than 10** ( )
    (d) Zero ( )

23. Paper money is called fiat money because
    (a) **It is issued with authority of government** ( )
    (b) It is convertible into gold ( )
    (c) It can be easily printed ( )
    (d) It is light weight ( )

24. Value of money means
    (a) Gold purchased by money ( )
    (b) **General Purchasing power of money** ( )
    (c) Importance of money ( )
    (d) Demand for money ( )

25. If the quantity of money increases 100%, other things remaining constant, value of money changes by
    (a) Increases by 100 % ( )
    (b) **Decreases by 100 %** ( )
    (c) Decreases by 200% ( )
    (d) Does not change ( )

26. Value of money and supply of money are related
   (a) **Inversely** ( )
   (b) Directly ( )
   (c) Are not related ( )
   (d) None of the above ( )

27. The quantity demanded of money rises
   (a) As the interest rises ( )
   (b) **As the interest falls** ( )
   (c) As the supply of money falls ( )
   (d) As the numberof banks rises ( )

28. Equation of exchange is associated with
   (a) Pigou ( )
   (b) J.B. Say ( )
   (c) Marshall ( )
   (d) **Irving Fisher** ( )

29. Equation of exchange is converted into the quantity theory of money by assuming the following variables as constants
   (a) **V and T** ( )
   (b) M and V ( )
   (c) M and P ( )
   (d) V and P ( )

30. Fisher equation of exchange states that
   (a) P varies directly with income ( )
   (b) **P varies directly with M** ( )
   (c) P and M are constants ( )
   (d) None of the above ( )

31. In the Fisher's extended equation of exchange $M^{I}V^{I}$ represents
   (a) **Credit money** ( )
   (b) Primary money ( )
   (c) Both primary and credit money ( )
   (d) General Price level ( )

32. In Fisher's transaction velocity model, which one of the following is not an assumption
   (a) Velocity of circulation of money is constant ( )
   (b) The volume of transaction is constant ( )
   (c) Full employment ( )
   (d) **P is considered as an active factor** ( )

33. The cash balance equation $M = KPY$ was given by
(a) Keynes ( )
(b) Pigou ( )
(c) Robertson ( )
(d) **Marshall** ( )

34. Robertson's version of the Cambridge equation is
(a) $\boldsymbol{P = \frac{M}{KT}}$ ( )
(b) $P = \frac{KR}{M}$ ( )
(c) $MV = PT$ ( )
(d) $M = \frac{KP}{Y}$ ( )

35. Pigou's version of Cambridge equation is
(a) $P = \frac{M}{KT}$ ( )
(b) $\boldsymbol{P = \frac{KR}{M}}$ ( )
(c) $MV = PT$ ( )
(d) $M = \frac{KP}{Y}$ ( )

36. The quantity theory of money was restated by
(a) Alfred Marshall ( )
(b) **Milton Friedman** ( )
(c) Irving Fisher ( )
(d) JM. Keynes ( )

37. Fisher's equation of exchange considers money as
(a) **A medium of exchange** ( )
(b) A store of value ( )
(c) Measures of value ( )
(d) All of the above ( )

38. Robertson's equation of exchange considers money as

(a) A medium of exchange ( )
(b) **A store of value** ( )
(c) Measures of value ( )
(d) All of the above ( )

39. The number of times a unit of money exchanges hands during a unit period of time is known as
   (a) **Velocity of the circulation of money** ( )
   (b) Speed of circulation of money ( )
   (c) Momentum of circulation of money ( )
   (d) Count of circulation of money ( )

40. In India, coins are minted at four places, which among the following is one of them
   (a) New Delhi ( )
   (b) Chennai ( )
   (c) **Hyderabad** ( )
   (d) All of them ( )

ANSWER KEY (UNIT-I)	
Question No.	**Answer Key**
1.	C
2.	A
3.	A
4.	B
5.	A
6.	D
7.	D
8.	B
9.	B
10.	A
11.	C
12.	B
13.	D
14.	B
15.	C
16.	D
17.	A
18.	C
19.	B
20.	A
21.	B
22.	C
23.	A
24.	B
25.	B

26.	A
27.	B
28.	D
29.	A
30.	B
31.	A
32.	D
33.	D
34.	A
35.	B
36.	B
37.	A
38.	B
39.	A
40.	C

MODULE-II: BANKING

A. Choose the correct answer:

1. Which of the following is a qualitative or selective method of credit control by the central bank?
   (a) Bank rate or Discount Rate Policy ( )
   (b) Open market operations ( )
   (c) Cash Reserve Ratio ( )
   (d) **None of the above** ( )

2. In what way the Central Bank serves as a Banker's Bank?
   (a) By maintaining gold reserve ( )
   (b) By controlling currency ( )
   (c) **By acting as a lender of the last resort** ( )
   (d) By reducing the interest rates ( )

3. Which of the following is not a function of commercial bank?
   (a) Accepting deposits ( )
   (b) Creating credits ( )
   (c) **Printing bank notes** ( )
   (d) None of the above ( )

4. Reserve Bank of India(RBI) was established on
   (a) 1st April,1925 ( )
   (b) **1st April 1935** ( )
   (c) 1st April 1945 ( )
   (d) 1st April 1955 ( )

5. Primary deposit in a commercial bank is called
   (a) Active deposit ( )
   (b) **Passive deposit** ( )
   (c) Derivative deposit ( )
   (d) All of the above ( )

6. Derivative deposit in a commercial bank is also called
   (a) **Active deposit** ( )
   (b) Passive deposit ( )
   (c) Primary deposit ( )
   (d) None of the above ( )

7. Bank rate is
   (a) The rate of interest charged by banks on their loans ( )
   (b) The rate of interest paid by banks on deposits ( )
   (c) **Official discount rate at which the Central Bank rediscount approved bills of the commercial banks** ( )
   (d) The interest paid by commercial banks to their beneficiaries ( )

8. Which of the following is not a function of Central Bank?
   (a) Enjoys monopoly of note issue ( )
   (b) Acts as the banker's bank ( )
   (c) **Creation of credit** ( )
   (d) Lender of the last resort ( )

9. Which of the following is a qualitative method of credit control of a central bank?
   (a) Bank rate ( )
   (b) Open market operation ( )
   (c) **Rationing of Credit** ( )
   (d) All of the above ( )

10. If the central bank wants to control credit, it should
   (a) Lower the rediscount rate ( )
   (b) **Raise the bank rate** ( )
   (c) Buy securities in the open market ( )
   (d) Raise cash reserve ratio ( )

11. Which of the following is a selective credit instrument?
    (a) variable reserve ratio ( )
    (b) **credit rationing** ( )
    (c) Bank rate ( )
    (d) All of the above ( )

12. When the Central Bank intends to expand the credit, it should
    (a) Raise the margin requirements ( )
    (b) Raise the variable reserve ratio ( )
    (c) Lower the bank rate ( )
    (d) **Purchase government securities in the open market** ( )

13. Open Market Operation is
    (a) **Buying and selling of government securities** ( )
    (b) Sale of government securities ( )
    (c) Buying and selling of government cheques ( )
    (d) All of the above ( )

14. Open market operation will become successful if there is a
    (a) free-market economy ( )
    (b) developing economy ( )
    (c) **well-developed bill and security market** ( )
    (d) All of the above ( )

15. Which of the following is not an instrument of selective credit control?
    (a) Margin requirements ( )
    (b) **Open market operation** ( )
    (c) Credit rationing ( )
    (d) None of the above ( )

16. Bank rate policy is not very effective because-
    (a) **It requires a well-developed money market** ( )
    (b) It cannot operate effectively ( )
    (c) All banks are not under the control of central bank ( )
    (d) All the above ( )

17. Which of the following is not a quantitative method of credit control
    (a) Bank arte ( )
    (b) Open market operation ( )
    (c) Variable reserve ratio ( )
    (d) **Regulation of consumer credit** ( )

18. To what extent the central bank is the lender of the last resort?
    (a) As it lends to the government ( )
    (b) As it provides finance to agriculture ( )
    (c) **As it is the ultimate source of credit in times of crisis** ( )
    (d) As it controls the money supply in the economy ( )

19. Variable reserve ratio refers to-
    (a) **The ratio which the commercial banks are required to maintain with the central bank** ( )
    (b) The ratio at which the central bank rediscounts first class bills ( )
    (c) The purchase and sale by the central bank to government securities in the money market ( )
    (d) All of the above ( )

20. The term bank liquidity implies
    (a) Management of cash ( )
    (b) Creation of credit ( )
    (c) **The capacity of the bank to give cash on demand in exchange** ( )
    (d) All of the above ( )

21. What is known as the most profitable asset of a commercial bank?
    (a) Investment at call and short-notice ( )
    (b) **Loans and advances to its customers** ( )
    (c) Accepting deposits ( )
    (d) None of the above ( )

22. The fundamental function of a commercial bank is
    (a) Acceptance of deposits ( )
    (b) **Advancing loans** ( )
    (c) Issuing bank draft ( )
    (d) Creating credit ( )

23. Which of the following is not a function of commercial bank?
    (a) Accepting deposits ( )
    (b) Advancing loans ( )
    (c) Creating credit ( )
    (d) **Printing bank notes** ( )

24. Loans and investment of a commercial bank constitute its
    (a) **Derivative deposits** ( )
    (b) Primary deposits ( )
    (c) Secondary deposits ( )
    (d) All of the above ( )

25. Bank's liquidity means
    (a) Its capacity to create credit ( )
    (b) Its capacity to provide a high rate of interest ( )
    (c) Its capacity to supply finance ( )
    (d) **Its capacity to convert its assets into cash** ( )
26. A bank's capacity to create credit is limited by the
    (a) **Size of cash** ( )
    (b) Size of its area ( )
    (c) Size of the central bank ( )
    (d) All of the above ( )

27. A bank can increase the supply of money by
    a) printing notes ( )
    b) **Creating credit** ( )
    c) Issuing cheques ( )
    d) None of the above ( )

28. Which of the following public sector banks has the highest number of branches in India?
    (a) **State Bank of India** ( )
    (b) Allahabad Bank ( )
    (c) Bank of India ( )
    (d) Punjab National Bank ( )

29. Derivative deposits are created during the time of –
    (a) Accepting demand deposits ( )
    (b) Accepting drafts ( )
    (c) **Making loans to the customers** ( )
    (d) All of the above ( )

30. The securities and bonds which a commercial banks holds is also known as
    (a) Cash reserve ratio ( )
    (b) Derivative deposits of the banks ( )
    (c) **Secondary deposits of the bank** ( )
    (d) All of the above ( )

31. Which is known as the most profitable asset of the bank?
    (a) **loans and advance to its customers** ( )
    (b) the investment in government securities ( )
    (c) life insurance policies of the staff ( )
    (d) None of the above ( )

32. The derivative deposit created by a bank results in-

(a) a decrease in the total stock of money ( )
(b) **an increase in the total stock of money** ( )
(c) an increase in government securities ( )
(d) none of the above ( )

33. What is Currency Deposit Ratio (CDR)?
(a) **Ratio of money held by the public in currency to that of money held in bank deposits** ( )
(b) Ratio of money held by the public in bank deposits to that of money held by public in currency ( )
(c) Ratio of money held in demand drafts to that of money held in treasury bonds ( )
(d) None of the above ( )

34. What is the Reserve Deposit Ratio ?
(a) The proportion of money RBI lends to commercial banks ( )
(b) **The proportion of total deposits commercial banks keep as reserves** ( )
(c) The total proportion of money that commercial banks lend to the customers ( )
(d) None of the above ( )

35. Which among the following is called the rate of interest charged by RBI for lending money to various commercial banks by rediscounting of the bills in India?
(a) **Bank rate** ( )
(b) Discount window ( )
(c) Monetary Policy ( )
(d) Overnight rate ( )

36. What method is used by the Bank to read code on cheque?
(a) **MICR** ( )
(b) OCR ( )
(c) OMR ( )
(d) None of the above ( )

37. Which is the largest private sector bank in India?
(a) ICICI ( )
(b) Axis Bank ( )
(c) **HDFC** ( )
(d) ICICI ( )

38. Who was the first Indian to become Governor of Reserve Bank of India(RBI)?
(a) Liaquant Ali Khan ( )
(b) T.T. Krishnamachari ( )
(c) John Mathai ( )

(d) **C.D. Deshmukh** ( )

39. In July 1969, 14 major Indian Scheduled Banks were nationalized and 6 more banks were nationalized in
    (a) **April 1980** ( )
    (b) May 1980 ( )
    (c) April 1981 ( )
    (d) May 1981 ( )
40. Which is the largest private sector bank in India on the basis of consolidated assets?
    (a) Axis Bank ( )
    (b) **ICICI Bank** ( )
    (c) HDFC Bank ( )
    (d) South Indian Bank ( )

ANSWER KEY (UNIT-II)	
Question No.	**Answer Key**
1.	D
2.	C
3.	C
4.	B
5.	B
6.	A
7.	C
8.	C
9.	C
10.	B
11.	B
12.	D
13.	A
14.	C
15.	B
16.	A
17.	D
18.	C
19.	A
20.	C
21.	B
22.	B
23.	D
24.	A
25.	D
26.	A
27.	B

28.	A
29.	C
30.	C
31.	A
32.	B
33.	A
34.	B
35.	A
36.	A
37.	C
38.	D
39.	A
40.	B

MODULE-4: INFLATION

A. Choose the correct answer

1. Inflation is a situation when
   (a) Prices of some goods rise ( )
   (b) **General price level rises continuously** ( )
   (c) Prices double every year ( )
   (d) Prices rise and fall ( )

2. An inflation caused by an enhanced wages of labour is
   (a) Demand-pull inflation ( )
   (b) **Cost-push inflation** ( )
   (c) Hyperinflation ( )
   (d) Stagflation ( )

3. Inflation in under-developed country is basically caused by
   (a) Mass poverty ( )
   (b) Less production ( )
   (c) Lack of technical know-how ( )
   (d) **Market imperfection** ( )

4. According to Keynes, inflationary gap is caused by
   (a) excess supply ( )
   (b) **excess demand** ( )
   (c) deficiency of demand ( )
   (d) deficiency of supply ( )

5. Stagflation implies a situation of
   (a) **High inflation and high unemployment** ( )
   (b) Low unemployment and low inflation ( )
   (c) High inflation and low unemployment ( )
   (d) Low inflation and high unemployment ( )

6. Demand- Pull inflation is caused by an
   (a) **Increase in the aggregate effective demand for goods and services** ( )
   (b) Increase in the money incomes of the factors of production ( )
   (c) Increased investment in the economy ( )
   (d) All of the above ( )

7. Which of the following is a monetary measure to control inflation in an economy?
   (a) Increase in money supply ( )
   (b) **Demonetization of currency** ( )
   (c) Increase in government expenditure ( )
   (d) All of the above ( )

8. In Keynesian view, inflation is
   (a) **The rise in the price level after the point of full employment** ( )
   (b) A rise in the price level before the point of full employment ( )
   (c) Too much money chasing too few goods ( )
   (d) All of the above ( )

9. "Inflation is a state in which the value of money is falling i.e., prices are rising". Who said this?
   (a) Hansen ( )
   (b) Keynes ( )
   (c) **Crowther** ( )
   (d) Fisher ( )

10. If inflation is allowed to continue without any check, it is known as
   (a) Supressed inflation ( )
   (b) Normal inflation ( )
   (c) **Open inflation** ( )
   (d) Deflation ( )

11. When both prices and money income fall, the situation is called
   (a) Disinflation ( )
   (b) Recession ( )
   (c) **Deflation** ( )
   (d) Anti-inflation ( )

12. Inflation in a developed country usually sets in
   (a) Before the point of full employment ( )
   (b) **After the point of full employment** ( )
   (c) at the point full employment ( )
   (d) None of the above ( )

13. During inflation, who suffers the most?
   (a) **Wage and salary earners** ( )
   (b) Creditors ( )
   (c) Debtors ( )
   (d) Businessman ( )

14. When government interrupts price rise, there is
   (a) **Suppressed inflation** ( )
   (b) Reflation ( )
   (c) Open inflation ( )
   (d) Deflation ( )

15. The phenomenal rise in prices accompanied by increased real income is known as
   (a) inflation ( )
   (b) deflation ( )
   (c) **reflation** ( )
   (d) None of the above ( )

16. Which of the following measure proves effective in reducing the rate of inflation?
   (a) Decreased personal consumption ( )
   (b) Evaluation of currency ( )
   (c) **Increased taxation** ( )
   (d) All of the above ( )

17. Inflation can be controlled by applying:
   (a) **Monetary and fiscal policies** ( )
   (b) Monetary and labour policy ( )
   (c) Fiscal and Commercial Policies ( )
   (d) All of the above ( )

18. During inflation
    (a) **Lenders lose, borrowers gain** ( )
    (b) Borrowers lose, lenders gain ( )
    (c) Borrowers and lenders both lose ( )
    (d) All sections of the society gain ( )

19. Which people are most likely to gain during inflation?
    (a) Those living on pension ( )
    (b) Those living on their savings ( )
    (c) **Those who are repaying borrowed money** ( )
    (d) Those who have lent money ( )

20. Inflation leads to
    (a) Distribution of income equal ( )
    (b) **Distribution of income unequal** ( )
    (c) No effect on distribution of income ( )
    (d) Affects only industrial sector ( )

21. Inflation in an under-developed economy generally sets in
    (a) **Before the point of full employment** ( )
    (b) After the point of full employment ( )
    (c) At the point of full employment level ( )
    (d) All of the above ( )

22. Which of the following measure is adopted to reduce inflation?
    (a) Reduction in bank rate ( )
    (b) Reduction in Repo rate ( )
    (c) Increase in government expenditure ( )
    (d) **Cuts in government spending** ( )

23. According to the monetarists, inflation is caused by
    (a) Supply shocks ( )
    (b) Expansionary fiscal policies ( )
    (c) **Expansionary monetary policies** ( )
    (d) Government regulations ( )

24. Theoretically, one can distinguish a demand- pull inflation from a cost-push inflation by comparing
    (a) How fast prices rise relative to wages ( )
    (b) **The unemployment rate with its natural rate level** ( )
    (c) When prices rise relative to wages ( )
    (d) None of the above ( )

25. Demand-pull inflation arises when
   (a) Policymakers set a very high unemployment target ( )
   (b) **A persistent budget deficit is financed by money creation** ( )
   (c) The deficit is financed by selling bonds to the public ( )
   (d) All of the above ( )

26. Government may pursue inflationary monetary policies
   (a) To promote high employment ( )
   (b) To accommodate demands of workers for higher wages ( )
   (c) To finance a persistent budget deficit ( )
   (d) **All of the above** ( )

27. Governments may end up with a high money growth rate and high inflation as a result of policies designed to
   (a) Lower unemployment ( )
   (b) Finance persistent government budget deficits through money creation rather than by issuing bonds ( )
   (c) Redistribute wealth from debtors to creditors ( )
   (d) **Both (a) and (b)** ( )

28. Which of the following is an effect of inflation?
   (a) Erosion in purchasing power ( )
   (b) Affects relative price of goods ( )
   (c) Increase in inequalities of income ( )
   (d) **All of the above** ( )

29. Which of the following can be undertaken to control inflation?
   (a) Control on public expenditure ( )
   (b) Control on hoarding and black-marketing ( )
   (c) Effective control on credit ( )
   (d) **All of the above** ( )

30. Which of the following is phenomenon that leads to Hyperinflation?
   (a) It is a situation when aggregate demand in an economy outpaces aggregate supply( )
   (b) It is a situation of persistent rise in inflation along with dip in growth and increase in unemployment ( )
   (c) It is a situation caused by an increase in prices of inputs like labour, raw material etc ( )
   (d) **It is a situation when a nation experiences very high and accelerating inflation** ( )

31. Inflationary gap said to exist when
   (a) **Real GDP >Potential GDP** ( )

(b) Real GDP <Potential GDP ( )
(c) Real GDP= Potential GDP ( )
(d) Unemployment rate> natural rate of unemployment ( )

32. Phillip's curve shows the relationship between the rate of
(a) Unemployment and output growth ( )
(b) **Unemployment and increase in money wages** ( )
(c) Employment and inflation ( )
(d) All of the above ( )

33. According to Phillips curve unemployment will return to the natural rate when:
(a) Nominal wages are equal to expected wages ( )
(b) **Real wages are back at equilibrium level** ( )
(c) Nominal wages are growing faster than inflation ( )
(d) Inflation is higher than the growth of nominal wages ( )

34. An increase in aggregate is more likely to lead to demand pull inflation if:
(a) Aggregate supply is perfectly elastic ( )
(b) **Aggregate supply is perfectly inelastic** ( )
(c) Aggregate supply is unit inelastic ( )
(d) Aggregate supply is relatively inelastic ( )

35. In short-run, unemployment may fall below the natural rate of unemployment if:
(a) **Nominal wages have risen less than inflation** ( )
(b) Nominal wages have risen at the same rate as inflation ( )
(c) Nominal wages have risen more than inflation ( )
(d) Nominal wages have risen less than unemployment ( )

36. The effects of inflation on the price competitiveness of a country's products may be offset by
(a) An appreciation of the currency ( )
(b) A revaluation of the currency ( )
(c) **A depreciation of the currency** ( )
(d) None of the above ( )

37. Countries with the highest inflation rates are likely to have
(a) The highest rate of money growth ( )
(b) Large budget deficits ( )
(c) The lowest interest rates ( )
(d) **Both (a) and (b)** ( )

38. A one-time increase in the price level is

(a) rarely reported by the news media as inflation, but is nevertheless considered to be inflation by economists ( )
(b) **regularly reported by the news media as inflation, but is not considered to be inflation by economist.** ( )
(c) regularly reported by the news media as inflation because it is considered to be inflation by economists ( )
(d) None of the above ( )

39. Which economist proposed that " Inflation is always and everywhere a monetary phenomenon"
(a) JM Keynes ( )
(b) J.R. Hicks ( )
(c) **Milton Friedman** ( )
(d) Franco Modigliani ( )

40. According to monetarists, inflation is caused by
(a) Supply shocks ( )
(b) Expansionary fiscal policies ( )
(c) **Expansionary monetary policies** ( )
(d) Rising prices ( )

ANSWER KEY (UNIT-IV)	
Question No.	**Answer Key**
1.	B
2.	B
3.	D
4.	B
5.	A
6.	A
7.	B
8.	A
9.	C
10.	C
11.	C
12.	B
13.	A
14.	A
15.	C

16.	C
17.	A
18.	A
19.	C
20.	B
21.	A
22.	D
23.	C
24.	B
25.	B
26.	D
27.	D
28.	D
29.	D
30.	D
31.	A
32.	B
33.	B
34.	B
35.	A
36.	C
37.	D
38.	B
39.	C
40.	C