

# Determination of Income and Employment Class 12 MCQ

1. \_\_\_\_\_ is called planned investment. ( Fill in the blank with correct alternative)

- a) Ex-ante investment
- b) Ex-post investment
- c) Both (a) and (b)
- d) None of the above

[Answer](#)

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2. \_\_\_\_\_ is an ex-ante measure. ( Fill in the blank with correct alternative)

- a) Actual investment
- b) Planned consumption
- c) Actual output in the economy
- d) All of the above

[Answer](#)

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3. The simplest consumption function assumes\_\_\_\_\_.( Fill in the blank with correct alternative)

- a)Consumption changes at a constant rate as income changes
- b)Consumption changes faster with more income
- c)Consumption doesn't change with income
- d)Consumption changes with more supply

[Answer](#)

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4. \_\_\_\_\_ is the change in the consumption per unit change in income. ( Fill in the blank with correct alternative)

- a) Average propensity to consume
- b) Marginal propensity to save

- c) Marginal propensity to consume
- d) Average propensity to save

Answer

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5. \_\_\_\_\_ is the consumption per unit of income. ( Fill in the blank with correct alternative)
- a) Marginal propensity to save
  - b) Average propensity to save
  - c) Average propensity to consume
  - d) Marginal propensity to consume

Answer

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6. \_\_\_\_\_ is the saving per unit of income. ( Fill in the blank with correct alternative)
- a) Average propensity to consume
  - b) Average propensity to save
  - c) Marginal propensity to consume
  - d) Marginal propensity to save

Answer

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7. \_\_\_\_\_ refers to a situation where aggregate demand is equals to aggregate supply and resources are not fully employed in an economy.( Fill in the blank with correct alternative)
- a) Full employment equilibrium
  - b) Over full employment equilibrium
  - c) Under full employment equilibrium
  - d) None of the above

Answer

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8. \_\_\_\_\_ is defined as addition to the stock of physical capital (Fill in the blank with correct alternative)
- a) Investment

- b) Consumptions
- c) Savings
- d) All of the above

[Answer](#)

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9. \_\_\_\_\_ refers to the amount by which actual aggregate demand is more than the aggregate demand required to establish full employment in economy. ( Fill in the blank with correct alternative)

- a)Deflation
- b)Inflationary gap
- c)Deflationary gap
- d)Inflation

[Answer](#)

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10. Piling up of stocks in the warehouses is known as \_\_\_\_\_.( Fill in the blank with correct alternative)

- a)Accumulation of inventories
- b)Intended accumulation of inventories
- c)Unintended accumulation of inventories
- d)None of the above

[Answer](#)

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### **Determination of Income and Employment Class 12 MCQ**

11. \_\_\_\_\_ refers to the rate at which RBI lends to commercial banks against security.( Fill in the blank with correct alternative)

- a)Repo rate
- b)Open market operation
- c)Reverse repo rate
- d)Marginal requirement

[Answer](#)

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12. In a given situation when  $AD > AS$  in an economy then \_\_\_\_\_. (Choose the correct alternative).

- a) General price level in the economy will decrease
- b) Inventory stock will increase beyond desired level
- c) Situation of excess demand arises
- d) Producers will increase planned output

[Answer](#)

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13. If MPC is 0.5, then investment multiplier will be ( Choose the correct alternative)

- a)  $\frac{1}{4}$
- b) 0
- c) 1
- d) 2

[Answer](#)

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14. What will be the value of APS when APC is 0 ( Choose the correct alternative)

- a) 0
- b) 1
- c) 2
- d)  $\infty$

[Answer](#)

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15. Which of the following statements about APC is incorrect:

- a) APC can be greater and smaller than 1
- b) APC can be equal to 1
- c) APC can be zero
- d) APC falls with increase in income

Answer

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16. Which of the following statement about investment multiplier is incorrect:

- a) Maximum value of investment multiplier is  $\infty$
- b) Minimum value of investment multiplier is 0
- c)  $K = \Delta Y / \Delta I$
- d) There is a Direct relationship between investment multiplier and MPC

Answer

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17. Open market operations include ( choose the correct alternative)

- a) Selling of securities
- b) Buying and selling of securities
- c) Buying and selling of government securities and bonds
- d) None of the above

Answer

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18. APC is equal to ( choose the correct alternative)

- a)  $Y/C$
- b)  $\Delta C / \Delta Y$
- c)  $C/Y$
- d)  $\Delta Y / \Delta C$

Answer

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19. If  $AS = C + S$  and  $AD = C + I$ , then equilibrium will be established at:

(Choose the correct alternative)

- a)  $S = I$
- b)  $S > I$
- c)  $S < I$
- d) All of the above

Answer

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20. Choose the correctly matched pair from the following

Column A	Column B
A. Demand curve	1. Positively sloped
B. Supply curve	2. Planned I = Planned S
C. Saving- income approach	3. 45° positively sloped
D. Equilibrium level of Income	4. Alternative approach of AD – AS

- a)A-4
- b)B-1
- c)C-3
- d)D-2

Answer

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**Determination of Income and Employment Class 12 MCQ**

21. Choose the correctly matched pair from the following

Column A	Column B
A. Fall in Aggregate demand	1. Causes inflation
B. Deflationary gap	2. Over employment equilibrium
C. Increase in aggregate demand	3. Causes deflation

D. Inflationary gap	4. Under full employment equilibrium
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- a)A-4
- b)B-1
- c)C-3
- d)D-2

[Answer](#)

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22. Read the following statement given below and choose the correct alternative

Statement 1- If the people of the economy save more, income will increase.

Statement 2- If the people of the economy save less, Income will decrease

- a)Both are correct
- b)Both are incorrect
- c)Statement 1 is correct and statement 2 is incorrect
- d)Statement 1 is incorrect and statement 2 is correct

[Answer](#)

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23. Read the following statement given below and choose the correct alternative

Statement 1- The equilibrium output in the economy determines the level of employment in the economy

Statement 2- Full employment level of income is the level where all the resources are partially employed

- a)Both are correct
- b)Both are incorrect
- c)Statement 1 is correct and statement 2 is incorrect
- d)Statement 1 is incorrect and statement 2 is correct

[Answer](#)

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24. Read the following statement given below and choose the correct alternative

Statement 1- Paradox of thrift states that savings are a part of everyday life

Statement 2- Household expenditure and savings are the components of aggregate demand

- a) Both are correct
- b) Both are incorrect
- c) Statement 1 is correct and statement 2 is incorrect
- d) Statement 1 is incorrect and statement 2 is correct

[Answer](#)

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25. Read the following statement given below and choose the correct alternative

Assertion (A)- The demand curve is a positively sloped straight line

Reason (R)- Aggregate demand is Sum of investment and consumption

- a) Both assertion and reason are true. Reason is the correct explanation of assertion
- b) Both assertion and reason are true. Reason is not the correct explanation of assertion
- c) Assertion is true but reason is not
- d) Reason is true but Assertion is not

[Answer](#)

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26. Read the following statement given below and choose the correct alternative

Assertion (A)- Deficient demand is the State in which actual aggregate demand is less than the aggregate demand/supply required for equilibrium

Reason (R)- There is a fall in consumption expenditure, If propensity to consume Decreases.

- a) Both assertion and reason are true. Reason is the correct explanation of assertion
- b) Both assertion and reason are true. Reason is not the correct explanation of assertion
- c) Assertion is true but reason is not
- d) Reason is true but assertion is not



[Answer](#)

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### **Determination of Income and Employment Class 12 MCQ**

27. Read the following statement given below and choose the correct alternative

Assertion (A)- Deficit financing is the process of issuing new currency by RBI to grant loan to government

Reason (R)- Deficit financing causes deflation in the economy

- a)Both assertion and reason are true. Reason is the correct explanation of assertion
- b)Both assertion and reason are true. Reason is not the correct explanation of assertion
- c)Assertion is true but reason is not
- d)Reason is true but assertion is not

[Answer](#)

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28. "Consumption curve is a straight line",due to

- a)Zero income level
- b)Constant marginal propensity to consume
- c)Inverse in consumption
- d)All of the above

[Answer](#)

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29. "The aggregate demand in an economy is rising". What can be the possible reasons for this?

- a)Rise in exports
- b)Fall in imports
- c)Rise in investment expenditure
- d)All of the above

[Answer](#)

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30. "The aggregate demand in an economy is falling". What can be the possible reasons for this?

- a) Fall in government expenditure
- b) Fall in imports
- c) Fall in consumption expenditure
- d) All of the above

Answer

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31. "Firms are planning to invest more than what households are planning to save". What can be the possible reasons for this?

- a) Investment < Savings
- b) Investment > Savings
- c) Investment = Savings
- d) None of the above

Answer

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32. "Households and firms are planning to purchase less than what producers are planning to supply". What are the possible reasons for this?

- a) Aggregate demand = Aggregate supply
- b) Aggregate demand > Aggregate supply
- c) Aggregate demand < Aggregate supply
- d) None of the above

Answer

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