



## CHAPTER -14- DETERMINATION OF INCOME AND EMPLOYMENT

### ASSERTION- REASON QUESTIONS

- | Question No | Question Content  |
|-------------|---|
| Q1          | <p>ASSERTION (A):<br/>APC can never be one or more than one.</p> <p>REASONING (R):<br/>APC increases with increase in income.</p> <p>Alternatives:</p> <p>(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)</p> <p>(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)</p> <p>(c) Assertion (A) is true but Reason (R) is false.</p> <p>(d) Assertion (A) is false but Reason (R) is true.</p>  |
| Q2          | <p>ASSERTION (A):<br/>MPC of poor is more than that of rich.</p> <p>REASONING (R):<br/>MPC falls with successive increase in Income.</p> <p>Alternatives:</p> <p>(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)</p> <p>(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)</p> <p>(c) Assertion (A) is true but Reason (R) is false.</p> <p>(d) Assertion (A) is false but Reason (R) is true.</p>   |
| Q3          | <p>ASSERTION (A):<br/>Multiplier explains how many times the income increases as a result of an increase in the investment.</p> <p>REASONING (R):<br/>There is an inverse relationship between the value of marginal propensity to save and investment multiplier.</p> <p>Alternatives:</p> <p>(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)</p> <p>(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)</p> <p>(c) Assertion (A) is true but Reason (R) is false.</p> <p>(d) Assertion (A) is false but Reason (R) is true.</p> |
| Q4          | <p>ASSERTION (A):<br/>Full employment is that situation in the economy when <math>AS = AD</math> along with fuller utilization of the resources. But it does not mean a situation of zero unemployment in the Economy.</p> <p>REASONING (R):</p>  |

Full employment means absence of unemployment in the economy.

Alternatives:

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
- (c) Assertion (A) is true but Reason (R) is false.

- (d) Assertion (A) is false but Reason (R) is true
- Q5  
 ASSERTION (A):  
 When Investment Multiplier is 1, the value of MPC is also 1.  
 REASONING (R):  
 Consumption can exceed Income but Savings cannot.  
 Alternatives:  
 (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)  
 (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)  
 (c) Assertion (A) is true but Reason (R) is false.  
 (d) Assertion (A) is false but Reason (R) is true.
- Q6  
 Assertion (A): Higher the value of Marginal Propensity to Consume, higher the value of multiplier and more chances of economic growth and increase in National Income. This happens when marginal propensity to save falls and marginal propensity to consume rises.  
 Reason(R): Investment generates income and this additional income causes a change in consumption. Additional consumption expenditure generates additional income for producers of goods and services. This process keeps repeating till the total increase in income equals the product of multiplier and change in investment:  $\Delta Y = K \times \Delta I$   
 (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)  
 (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)  
 (c) Assertion (A) is true but Reason (R) is false.  
 (d) Assertion (A) is false but Reason (R) is true.
- Q7  
 Assertion (A): Unplanned inventories accumulates when planned investment is less than planned savings i.e. producers are left with unsold stock of goods as planned savings are more than planned investments.  
 Reason(R): In a situation of deficiency of AD in relation AS, Aggregate Demand is less than Aggregate Supply when buyers (consumers and firms) are consuming less and thus spending less. It means that they are planning to buy less than what sellers are planning to sell implying fall in marginal propensity to consume.  
 (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)  
 (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)  
 (c) Assertion (A) is true but Reason (R) is false.  
 (d) Assertion (A) is false but Reason (R) is true.
- Q8  
 Assertion (A): There is direct relationship between Saving and demand for goods and services in the economy.  
 Reason(R): As people save more and more, the demand for goods and services fall in the economy.  
 (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)  
 (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)  
 (c) Assertion (A) is true but Reason (R) is false.  
 (d) Assertion (A) is false but Reason (R) is true.
- Q9  
 Assertion (A): J M Keynes emphasized more on Investment.  
 Reason(R): As saving increases, it leads to more and more investment in the economy and hence more demand for goods and services in the economy.  
 (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of

- Assertion (A)  
 (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)  
 (c) Assertion (A) is true but Reason (R) is false.  
 (d) Assertion (A) is false but Reason (R) is true.
- Q10 Assertion (A): There is always full employment equilibrium in the economy.  
 Reason (R): The equilibrium in the economy, where  $AD=AS$  may strike even when there is underemployment.  
 (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)  
 (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)  
 (c) Assertion (A) is true but Reason (R) is false.  
 (d) Assertion (A) is false but Reason (R) is true.
- Q11 Assertion: Price has no role to play as a determinant of Aggregate Supply.  
 Reason: Proportionate increase in aggregate supply due to excess capacity of production leads to a constant price level in the economy.  
 (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)  
 (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)  
 (c) Assertion (A) is true but Reason (R) is false.  
 (d) Assertion (A) is false but Reason (R) is true.
- Q12 Assertion: The rate at which consumption increases often lags behind the rate at which Y increases.  
 Reason: There is always some minimum level of consumption, even when income is zero  
 (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)  
 (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)  
 (c) Assertion (A) is true but Reason (R) is false.  
 (d) Assertion (A) is false but Reason (R) is true.
- Q13 Assertion: In Keynesian view, full employment equilibrium is an automatic phenomenon.  
 Reason: Full employment is that situation in the economy when  $AS=AD$  along with further utilization of resources, but it does not mean a situation of zero unemployment in economy  
 (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)  
 (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)  
 (c) Assertion (A) is true but Reason (R) is false.  
 (d) Assertion (A) is false but Reason (R) is true.
- Q14 Assertion: Value of Marginal Propensity to consume cannot be greater than one.  
 Reason: Change in the consumption cannot be more than the total income.  
 (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)  
 (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)  
 (c) Assertion (A) is true but Reason (R) is false.  
 (d) Assertion (A) is false but Reason (R) is true.
- Q15 Assertion (A): the point at which consumption curve intersect the 45 degree line, APS is zero.

Reason(R): it happens because at this point, consumption is equal to income and saving is zero.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)

(c) Assertion (A) is true but Reason (R) is false.

(d) Assertion (A) is false but Reason (R) is true.

Q16 Assertion (A): the point at which saving curve intersects the X axis is known as break-even point.

Reason (R): at this point,  $S=0$  and  $C = Y$

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)

(c) Assertion (A) is true but Reason (R) is false.

(d) Assertion (A) is false but Reason (R) is true.

Q17 Assertion (A): presence of autonomous consumption expenditure ensures that increase will definitely increase in initial phases of development,

Reason (R): due to autonomous consumption expenditure, aggregate demand is always greater than income in initial phases due to which income and output increases in the initial level.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)

(c) Assertion (A) is true but Reason (R) is false.

(d) Assertion (A) is false but Reason (R) is true.

Q18 Assertion (A): if a family's MPC is 0.70, then it will necessarily consume seven-tenth of its income.

Reason (R): APC represents the ratio of absolute consumption expenditure to the corresponding level of income.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)

(c) Assertion (A) is true but Reason (R) is false.

(d) Assertion (A) is false but Reason (R) is true.

## **ANSWER**

Question No	Answer
Q1	(c) Assertion (A) is true but Reason (R) is false
Q2	(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
Q3	(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
Q4	(c) Assertion (A) is true but Reason (R) is false
Q5	(d) Assertion (A) is false but Reason (R) is true.
Q6	(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
Q7	(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
Q8	(d) Assertion (A) is false but Reason (R) is true.
Q9	(c) Assertion (A) is true but Reason (R) is false
Q10	(d) Assertion (A) is false but Reason (R) is true.
Q11	(a) Both (A) and (R) are correct and (R) is correct explanation of (A).
Q12	(b) Both (A) and (R) are correct but (R) is not correct explanation of (A).
Q13	(d) (R) is correct but (A) is false.
Q14	(c) (A) is correct but (R) is false.
Q15	(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
Q16	(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
Q17	(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
Q18	(d) (R) is correct but (A) is false.

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