# CBSE

## CLASS 12 | Macroeconomics

Under CSR Support by
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**CHAPTER-4 | Determination of Income and Employment**

**QUIZ**
**PART-05**

1. In the AD–AS approach, equilibrium is attained when:
   A. AD > AS
   B. AD < AS
   C. AD = AS
   D. AD = C only                                            (C)

   *Explanation :* Equilibrium in the AD–AS approach occurs when aggregate demand equals aggregate supply, known as effective demand.

2. In the AD–AS approach, if AD > AS, it means:
   A. Demand is less than production
   B. Demand is equal to production
   C. Demand is more than production
   D. Production is more than demand                          (C)

   *Explanation:* When AD > AS, demand exceeds total output, lying above the 45° line in the diagram.

3. In the AD–AS approach, if AD < AS, it implies:
   A. Excess demand
   B. Deficient demand
   C. Equal demand and supply
   D. Zero demand                                            (B)

   *Explanation:* When AD < AS, demand is less than total production, reflecting deficient demand.

4. In the Saving–Investment approach, equilibrium is achieved when:
   A. S < I
   B. S > I
   C. S = I
   D. S = 0                                                  (C)

   *Explanation :* According to the S–I approach, equilibrium occurs when planned saving equals planned investment.

5. In the Saving–Investment approach, when S < I, it indicates:
   A. Planned inventory rises
   B. Planned inventory reduces
   C. Saving equals investment
   D. Excess saving                                          (B)

   *Explanation:* When S < I, planned inventories fall as investment exceeds saving.

6. In the Saving–Investment approach, when S > I, it means:
   A. Planned inventory rises
   B. Planned inventory reduces
   C. Investment is higher than saving
   D. Equilibrium exists                                     (A)

   *Explanation:* When S > I, planned inventories increase as savings exceed investments.

7. Full employment equilibrium occurs when:
   A. AD = AS at less than full employment
   B. AD = AS at full employment level
   C. AD > AS beyond full employment
   D. AD = 0                                                 (B)

   *Explanation:* Full employment equilibrium exists when aggregate demand equals aggregate supply at full employment level.

8. Under-employment equilibrium is a situation when:
   A. AD = AS beyond full employment
   B. AD = AS at less than full employment
   C. AD > AS
   D. Saving exceeds investment                              (B)

   *Explanation:* Under-employment equilibrium occurs when equilibrium is achieved before full employment of resources.

9. Over-employment equilibrium arises when:
   A. AD = AS beyond full employment level
   B. AD = AS at zero employment level
   C. AD = AS at full employment
   D. Saving equals investment at underemployment            (A)

   *Explanation:* Over-employment equilibrium happens when AD = AS beyond the full employment level, causing inflationary pressures.

10. When aggregate demand exceeds aggregate supply, the price level:
    A. Decreases
    B. Increases
    C. Remains constant
    D. Becomes zero                                          (B)

    *Explanation :* Excess demand (AD > AS) puts upward pressure on prices, leading to inflation.