1. Autonomous investment is defined as investment that:
   A. Depends directly on the level of income
   B. Is influenced by profit expectations of firms
   C. Remains unaffected by changes in income
   D. Always declines with higher interest rates (C)

Explanation : Autonomous investment is income inelastic and does not change with fluctuations in income; it is often linked with government spending.

2. Induced investment is primarily determined by:
   A. Social welfare requirements
   B. Profit expectations and income levels
   C. Government fiscal policy
   D. Changes in autonomous consumption (B)

Explanation: Induced investment is income elastic, directly influenced by profit expectations and the level of income.

3. Which of the following correctly differentiates autonomous and induced investment?
   A. Autonomous investment is private, induced is government
   B. Autonomous investment is income elastic, induced is income inelastic
   C. Autonomous investment curve is parallel to X-axis, induced investment curve slopes upward
   D. Autonomous investment is for profit, induced is for welfare (C)

Explanation: Autonomous investment is inelastic to income (horizontal line), while induced investment increases with income (upward sloping curve).

4. Marginal Efficiency of Investment (MEI) is calculated as:
   A. (Supply Price ÷ Prospective Yield) × 100
   B. (Prospective Yield ÷ Supply Price) × 100
   C. (Rate of Interest ÷ Prospective Yield) × 100
   D. (Prospective Yield – Supply Price) × 100 (B)

Explanation : MEI is the ratio of prospective yield to supply price multiplied by 100, representing the expected rate of return.

5. The condition for profitable investment is:
   A. MEI = ROI
   B. MEI < ROI
   C. MEI > ROI
   D. ROI > Prospective Yield (C)

Explanation: Investment is profitable when the Marginal Efficiency of Investment (MEI) exceeds the Rate of Interest (ROI).

6. Ex-ante saving refers to:
   A. Actual saving in an economy during a year
   B. Planned saving at different income levels
   C. Saving after deducting taxes
   D. Forced saving due to inflation (B)

Explanation: Ex-ante saving means planned savings at various income levels, unlike ex-post saving which is actual realized saving.

7. Ex-post investment refers to:
   A. Planned investment by firms
   B. Actual investment realized in an economy
   C. Government's autonomous investment
   D. Increase in savings due to inflation (B)

Explanation: Ex-post investment is the actual investment realized in a given period.

8. The investment multiplier (k) is defined as:
   A. $k = \Delta Y \div \Delta I$
   B. $k = \Delta I \div \Delta Y$
   C. $k = 1 \div MPC$
   D. $k = 1 + MPS$ (A)

Explanation: The multiplier is the ratio of change in national income to the change in investment ($k = \Delta Y \div \Delta I$).

9. If MPC = 0.8 and investment increases by ₹1,000 crores, the total increase in income is:
   A. ₹4,000 crores
   B. ₹5,000 crores
   C. ₹8,000 crores
   D. ₹10,000 crores (B)

Explanation: Multiplier $k = 1 \div (1 - MPC) = 1 \div 0.2 = 5$. So $\Delta Y = k \times \Delta I = 5 \times 1{,}000 = ₹5{,}000$ crores.

10. What happens to the value of multiplier when MPC = 1?
    A. Multiplier = 0
    B. Multiplier = 1
    C. Multiplier = Infinity
    D. Multiplier = Negative (C)

Explanation : When MPC = 1, the multiplier value becomes infinity, as all additional income is consumed, leaving no leakage to saving.