

CHAPTER-4 | Determination of Income and Employment

QUIZ
PART-01

1. Which of the following is not a determinant of Aggregate Demand?
- Consumer spending
 - Technological progress
 - Government expenditure
 - Demand for exports (B)

Explanation: Aggregate Demand is determined by consumption, investment, government expenditure, and net exports, but not by technological progress.

2. The Aggregate Demand curve is typically:
- Upward sloping to the right
 - Downward sloping to the right
 - Vertical
 - Horizontal (B)

Explanation: The Aggregate Demand curve slopes downward to the right, showing an inverse relation between price and demand.

3. The Aggregate Supply curve is typically:
- Upward sloping
 - Downward sloping
 - Horizontal
 - None of the above (A)

Explanation: Aggregate Supply is generally upward sloping, indicating higher supply with increased income.

4. In a two-sector economy, Aggregate Demand is expressed as:
- $AD = C + G$
 - $AD = C + I$
 - $AD = C + S$
 - $AD = C + (X - M)$ (B)

Explanation: In a closed two-sector economy, Aggregate Demand is the sum of consumption and investment expenditure ($AD = C + I$).

5. Which of the following is included in Investment Expenditure?
- Private final consumption
 - Gross fixed capital formation and inventory investment
 - Expenditure on imports
 - Government subsidies (B)

Explanation: Investment Expenditure refers to additions to capital stock like gross fixed capital formation and inventory accumulation.

6. Which of the following best describes Aggregate Supply?
- Total demand of goods in an economy
 - Total savings of the households
 - Total money value of goods producers are willing to supply
 - Total exports of a country (C)

Explanation: Aggregate Supply is the total value of all final goods and services producers are willing to supply in an economy during a year.

7. What is the relationship between National Income, Consumption, and Saving in Aggregate Supply?
- $Y = C + I$
 - $Y = C + G$
 - $Y = C + S$
 - $Y = C + (X - M)$ (C)

Explanation: National Income or Aggregate Supply is the sum of consumption and saving: $Y = AS = C + S$.

8. Which of the following is true about the Aggregate Demand curve?
- It starts from zero
 - It slopes downward to the left
 - It has a positive upward slope
 - It is vertical (C)

Explanation: The Aggregate Demand curve has a positive upward slope, showing that as income rises, expenditure also increases.

9. Which of the following is a feature of Aggregate Supply?
- AS curve starts from zero or negative
 - AS curve has a positive upward slope
 - Consumption is positive even when income is zero
 - All of the above (D)

Explanation: Aggregate Supply has all these features: it may start from zero/negative, slopes upward, and consumption is positive even with zero income.

10. Net Exports in Aggregate Demand are defined as:
- Imports – Exports
 - Exports – Imports
 - Exports + Imports
 - Exports only (B)

Explanation: Net Exports ($X - M$) represent the difference between exports and imports of a country during a year.