1. The Consumption Function shows the relationship between:
   A. Income and Saving
   B. Income and Consumption
   C. Saving and Investment
   D. Exports and Imports (B)

Explanation : The Consumption Function reflects how households' consumption changes with national income (C = f(Y)).

2. The starting point of the Consumption Curve indicates:
   A. Autonomous Consumption
   B. Zero Consumption
   C. Saving equals Investment
   D. Break-even Point (A)

Explanation: The curve starts above the origin, showing autonomous consumption even when income is zero.

3. What does the Break-even Point represent on the Consumption Curve?
   A. Where consumption is less than income
   B. Where saving is maximum
   C. Where consumption equals income and saving is zero
   D. Where dissaving occurs (C)

Explanation: At the Break-even Point (C = Y), households neither save nor dissave; saving is zero.

4. When income is less than consumption, the economy experiences:
   A. Saving
   B. Dissaving
   C. Equilibrium
   D. Inflation (B)

Explanation : When households spend more than their income, the excess is covered through dissaving.

5. Average Propensity to Consume (APC) is calculated as:
   A. ΔC ÷ ΔY
   B. C ÷ Y
   C. Y ÷ C
   D. ΔY ÷ ΔC (B)

Explanation: APC = Consumption ÷ Income, i.e., the ratio of consumption expenditure to income.

6. Which of the following values can APC never take?
   A. Greater than 1
   B. Less than 1
   C. Equal to 1
   D. Zero (D)

Explanation: APC can be >1, <1, or =1, but never zero since some consumption always takes place.

7. Marginal Propensity to Consume (MPC) is defined as:
   A. C ÷ Y B. ΔC ÷ ΔY
   C. ΔY ÷ ΔC D. Y ÷ C (B)

Explanation: MPC = Change in Consumption ÷ Change in Income, showing the proportion of additional income spent on consumption.

8. If Consumption rises from ₹70 crores to ₹110 crores when Income rises from ₹100 crores to ₹200 crores, what is MPC?
   A. 0.2
   B. 0.4
   C. 0.6
   D. 0.8 (B)

Explanation: MPC = ΔC ÷ ΔY = (110 – 70) ÷ (200 – 100) = 40 ÷ 100 = 0.4.

9. Which of the following is true about MPC and APC?
   A. Both can be greater than 1
   B. APC can be >1, but MPC cannot exceed 1
   C. Both are always less than 1
   D. MPC is always greater than APC (B)

Explanation: APC may exceed 1 when income is very low, but MPC cannot exceed 1 since change in consumption cannot be greater than change in income.

10. MPC is also known as:
    A. Slope of Saving Curve
    B. Slope of Investment Curve
    C. Slope of Consumption Curve
    D. Slope of Aggregate Supply Curve (C)

Explanation : MPC is the slope of the Consumption Curve, showing how consumption changes with income.