ECONOMICS

BOOKS - SANDEEP GARG ECONOMICS (HINGLISH)

INCOME DETERMINATION AND MULTIPLIER

Example

1. Estimate the value of ex-ante when autonomous investment and consumption expenditure (A) is 50 crores and MPS is 0.2 and level of income is 300 crores

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2. Calculate multiplier if MPC is : (i) 0.75, (ii) 0.90.

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3. Calculate the value of multiplier if the MPS is : (a) 0.40, (b) Equal to MPC

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4. In an economy , income generated is four times the increase in investment expenditure. Calculate the values of MPC and MPS.

5. In an economy, the marginal propensity to consume is 0.8. If investment increases by Rs. 1,000 crores, calculate the total increase in income.

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6. In an economy , 60% of increased income is spent on conumption. If Rs. 4 crores are invested in a Project, find out the increase in income and saving.

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7. In a economy , the actual level of income is Rs. 500 crores, whereas, the full employment level of income is Rs. 8000 crores. If one - fourth of additional income is saved, calculate increase in investment required to achieve full employment level of income.

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8. In an economy, the equilibrium level of income falls short by Rs. 500 crores. Calculate the additional investment needed to achieve the equilibrium level of income , if 80% of increased income is spent on consumption.

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9. In an economy , the equilibrium level of income is Rs.12,000 crore. The ratio of marginal propensity to consume and marginal propensity to save is 3:1. Calculate the additional investment needed to reach a new equilibruim level of income of Rs. 20,000 crore.

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10. Calculate MPS and Multiplier (k) from the following data :

Income($Rs.$)	100	200
Saving($Rs.$)	40	100

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11. In an economy , marginal propensity to consume is 0.75. If investment expenditure is increased by Rs. 500 crores, calculate the total increaes in income and consumption expenditure.

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12. An increase of Rs. 200 crore in investment leads to a rise in national income by Rs.1000 crores. Find out marginal propensity to consume.

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13. As a result of increase in investment by Rs. 125 crores, national income increase by Rs. 500 crores Calculate marginal propensity to consume.

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14. In an economy. Investment is increased by Rs. 300 crores. If marginal propensity to consume is 2/3, calculate increase in national income.

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15. If marginal propensity to consume is 0.9, what is the value of multiplier ? How much investment is needed, if national increases by Rs. 5,000 crores?

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16. In an economy, the entire increase in income is spent on consumption. What will be the value of multiplier?

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17. In an economy 75 percent of the increase in income is spent on consumption.

Investment is increased by Rs.1,000 crores. Calculate: (a) total increase in income , (b) total increase in consumption expenditure.

18. An increase of Rs. 250 crores in investment in an economy resulted in total increase in income of Rs. 1,000 crores. Calcualte the following: (a) Marginal propensity to consume (MPC), (b) Change in Saving ,(c) Change in consumption expenditure , (d) value of multiplier.

19. In an economy , income increases by 10,000 as a result of a rise in investment expenditure by 1,000. Calculate: (a) Investment Multiplier, (b) Marginal Propensity to Consume.

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20. In an economy , an increase in investment leads to increase in national income which is times more then the increase in investment. Calculate marginal propensity to consume.

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21. In an economy , with every increase in income, 10 per cent of the rise in income is saved. Suppose a fresh investment of Rs.120 crores takes place in the economy, Calculate the following : (i) Change in the income, (ii) Change in consumption.

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22. If an additional investment of Rs. 500 crores increases the income by Rs.500 crores. In the first round of the multiplier process, by Rs.450 crores in the second round, by 405 crores in the third round and so on. Determine the total increase in income.

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23. Calculate saving, AD ,AS and determine equilibrium level if investment is fixed at Rs. 100 crores

Income($Rs.$ crores)	0	100	200	300	400	500
Consumption($Rs.$ Crores)	50	100	150	200	250	300

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24. Suppose investment in the economy is fixed at Rs.40 crores. The consumption expenditure, at different levels of income , is given in the following schedule:

Income($Rs.$ crores)	200	300	400	500	600	700
Consumption($Rs.$ crose)	220	300	380	460	540	620

On the basis of the given schedule, answer the following questions:

(i) Calculate AD and AS all level of income.

(ii) At what level of income will the economy be at

equilibrium?

(iii)State the level if income where total saving is negative.

(iv) Are saving and investment equal at the equilibrium level of income?

(v) Calculate MPC and MPS ,when the incme increases from Rs. 400 crores to Rs. 500 crores.

(vi) What will be the income level of Rs. 300 crores?

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25. Given consumption function C= 100+ 0.75Y (where C= consumption expenditure and Y= national income) and investment expenditure Rs. 1,000, calculate: ("i)

Equilibrium level of national income, (ii) Consumption expenditure equilibruim level of national income.

26. In an economy, the consumption function is C $= 500 + 0.75Y$, where C is consumption expenditure and Y is income. Calculate the equilibrium level of income and consumption expenditure, when investment expenditure is 5,000.

27. The saving function of an economy is $S = -200 + 0.25Y$. The economy is in equilibrium when income is equal to 2,000. Calculate: (a) Investment expenditure at equilibrium level of income , (b) Autonomous consumption , (c) Investment multiplier.

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28. If saving function for an economy is given as : $S = -500 + 0.2Y$ and investment expenditure is Rs. 100 crores, then determine: ("i) Level of income when saving will become zero,

(ii) Level of income when saving is equal to investment .

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29. The equilibrium level of income in an economy is Rs. 5,000 crores. The autonomous consumption expenditure is equal to Rs.250 crores and investment expenditure Rs. 1,000 crores. Calculate : ("i) Consumption expenditure at equilibrium level of national income, (ii) Marginal Propensity to save, (iii) Saving Function , (iv) Investment Multiplier , (v) Break - even level of Income.

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30. In an economy , the investment expenditure is Rs. 70 crores and consumption functin is C= 60 + 0.80 Y . ("i)

Determine the equilibrium level of income , (ii) Find the equilibrium income when planned investment expenditure is creased by Rs. 10 crores , (iii) Value of multiplier due to increase in investment expenditure.

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31. The saving at different levels of income are given in the following schedule:

Income($Rs.$ crores)	0	200	400	600	800	1000
Saving($Rs.$ crores)	-120	-60	0	60	120	180

On the basis of the given schedule, answer the following question:

("i) Calculate MPC at diffferent levels of income.

(ii) If investment is Rs. 120 crores, determine the equilibrium level of income.

(iii) Derive the Consumption and Saving function .

(iv) What is the break- even level of Income.

32. Find national income from the following :

Autonomous consumption

= Rs.100

Marginal propensity to consume

= 0.80

Investment

= Rs.50

1. When MPC is equal to MPS, increase in income will be two thmes the increase in investment". Comment.

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2. The saving function of an economy is given as : S $= -40 + 0.4(Y)$. Calculate the total increase in income if investment expenditure increases by Rs. 700 crores.

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3. In a two sector economy, the saving function is given as: $S = -10 + 0.2Y$ and investment function is , expressed as: $l = -3 + 0.1Y$. Calculate the equilibrium level of income ?

4. The follwing table illustrates the multiplier process after making an additional of Rs. 1,000 crores. Calculate the messing values.

	Increase in Income (₹ crores)	Change in Consumption (₹ crores)	Change in Saving (₹ crores)
First Round	?	?	200
Second Round	?	640	?
Third Round	?	?	?
All Other Rounds	?	?	?
Total	?	?	?

5. Calcualte the additional investment needed if the equilibrium level of income falls short by Rs. 1,000 crores . It is given that consumption function is given as: $C = 120 + 0.8Y$.

6. In a two- sector economy , the income function is: $Y = C + l$ and consumption function is given as: $C = 40 + 0.75Y$. If investments are Rs. 60 crores, calculate: (a) Equilibrium level of income , (b) Level of consumption at equilibrium, (c) Saving at equilibrium.

7. Why must aggregate demand be equal to aggregate supply at the equilibrium level of income and output? Explain with the help of a diagram.

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8. Explain national income determination through the two alternative approaches. Use diagram.

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9. The value of marginal propensity to consume is double the value of marginal propensity to save. Find

the value of multiplier.

10. If an economy , Saving Function is given by S $= (-)50 + 0.2Y$ and $Y = Rs.\, 2,000$crores, consumption expenditure for the economy would be Rs. 1,650 crores and the autonomous investment is Rs. 50 crores and the marginal propensity to consume is 0.8 True or False ? Justify your answer with proper calculattions.

11. Economists are generally concerned about the rising Marginal Propensity to Save (MPS) in an economy . Explain why?

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12. Assuming that increase in investment is Rs.900 crore and marginal propensity to consume is 0.6, explain the working of multiplier.

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13. What is the range of invesment multiplier? Clarify the relation of investment multiplier with marginal prppensity to consume (MPC) and with marginal propensity to save (MPS).

14. Calculate Multiplier when MPC is 4/5 and 1/2 From the calculation, establish the relation between size of Multiplier and size of MPC.

When MPC $\dfrac{4}{5}$

$$K = \dfrac{1}{1 = 0.8} = \dfrac{1}{0.2} = 5$$

When MPC=$\dfrac{1}{2}$

$$K = \dfrac{1}{1 - 0.5} = 2$$

Observing the same, we may conclude that there exist positive or direct relation between MPC and investment multiplier. Investment multiplier coefficient measures the change in final income with repsect to given change in the change in the initial investment in the economy. It carries direct relation with rate of growth in an economy, i.e. higher the MPC, more change of growth exists in an ecnomy. But, it a two sided sword hence if investment falls in economy the income may also fall.

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True And False

1. Ig aggregate demand exceeds aggregae supply, the income rises.

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2. When marginal propensity to consume is greater then marginal propensity to save, the value of investment multiplier will greater than 5

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3. Value of investment multiplier varies between zero and infinity.

4. When marginal propensity to consume is zero, the value of investment multiplier will also be zero.

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5. When investment multiplier is 1, the value of marginal propensity to consume is zero.

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6. There is an inverse relationship between the value of marginal propensity to save and investment multiplier.

Or

Size of investment multiplier is given by the inverse of marginal propensity to save

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7. If planned investment fails short of planned saving, then stock of goods tend to pile up

Or

Investment accumulate when planned saving.

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8. If the ration of marginal propensity to consume and marginal propensity to save is 4:1, the value of investment multiplier will be 4

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9. Effective demand is determined at the point of equality between aggregate demand and aggreate supply.

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10. Higher the value of MPC, more is the value of multiplier

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11. S-=20+0.4Y and C 20+0.6Y will yield be the same investment multiplier.

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12. According to Keynes, the equillibrium, level of income is always determined corresponding to full employment level.

Short Type

1. Can an economy be in equilibrium when there is unemployment in the economy. Explain.

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2. Briefly discuss the concept of over full employment. Use diagram.

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3. What happens to the level of national income when aggregates demand fails short of aggregate supply?

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4. Disucss, the changes that will take place in the economic when planned saving is less than planned investment.

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5. Define investment multiplier. How is it releated to marginal propensity to consume?

6. Explain equilibrium level of national income using

Saving and investment apprach. Draw diagram in

support of you explanation.

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7. Explain how the level of effective demand is attained

in an economy it. Aggreate Demand is more than the

Aggregate Supply

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8. Using the 'saving and investment' apprach explain how is the equilibrium level of national income determined? Also explain what will happen if the equilibrium is not fulfilled.

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9. In an economy planned spending is greater than planned output. Explain all the changes that will take place in the economy

Or

Explain the changes that take place in an economy when aggregate demand is less than aggregate supply.

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10. Expalin the meaning of under-employment equilibrium.

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11. What is investment multiplier. Explain its working using a suitable numerical example.

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Long

1. Explains determination of equilibrium level of income using 'Consumption plus investment' apprach use diagram.

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2. Why must aggregate demand be equal to aggregate supply at the equilibrium level of income and output? Explain with the help of a diagram.

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3. In an economy planned and saving exceeds planned investment. How will the equality between the two be achieved? Explain.

4. What changes will take place to bring an economy in equilibrium if (i) planned savings are greater than planned investment, (i) planned savings are less than planned investment.

Or

In an economy planned spending is greater than planned output. Explin all the changes that will take place in he economy.

5. Explains determination of equilibrium level of income using aggregate demand and aggregate supply apprach. Use diagarm. Also the effect when aggregate demand is less than aggregate supply.

6. Discuss the meaning of investment multiplier. What can be its minimum and maximum value?

7. Explain the working of investment multiplier with the help of a numeical example.

Or

How an initial increases in investment affects the level of income of the economy? Show its working with a suitable numerical example.

8. The size of multiplier varies directly with the size of the MPC. Defent or refute.

Or

Explain the relationship between MPC and multiplier with the help of an example.

9. Explains national income equilirbium through aggregate demand and supply. Use diagram. Also explains the changes that take place in an economy when the economy is not in equilibrium.

10. Explain the determination of equilibrium level of naitonal income using 'saving and investment' apprach. Use diagram. Also explain the effects if saviing is greater than investment.

11. Explains the changes that two take place when aggreagate demand and aggregate supply are not equal.

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12. Assuming that increases in investment is 1000crore and marginal propensity to consume is 0.9 explain the working of multiplier

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Practicals

1. Calculate the value of multiplier, if MPC is (i) 0.60, (ii) 0.50

2. Calculate the value of multiplier,, if the marginal propensity to save is 0.25

3. How much additional income will be generated in an economy with an additional investment is rupee 100

crores and when half of increases in income is spent on cosumption?

4. What is the value of MPC, if an additional investment of 40 crocres leads to an increase of 100 crocres in the income?

5. Calculate the value of multiplier if the entire increases in income is saved.

6. In an economy in income is five times the increases in investment expenditure. Calculate the values of MPC.

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7. In an economy, investment increases by 200 crores. As a result the total income increases by 1000 crores. Calculate the MPC.

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8. An increase of investment by 5000 crores leads to increase in naitonal income which is four times more

than the increases in investment. Calculate marginal propensity to save.

9. Due to the increase investment, the national increased by 10000 crores, If 20% of additional incomes is saved. Calculate the increase in investment.

10. Calculate MPC and Multiplier (k) from the following data:

Income	100	200	300
Consumption	80	160	250

11. The consumption function of an economy is given C=40+0.8Y. Calculate the total increase in income and consumption if investment expenditure increases by 500 crores.

12. In an economy the investment expenditure is increased by 20000 crores. Calculate the total increase in income and consumption expenditure if ratio of marginal propensity to consume and marginal propensity to save 4:1

13. In an economy people always consume half of any additional income and save the other half. Determine the additional income generated if government makes an additional expenditure of 20000 crores.

14. In an economy will every increase in income 70 per cen to fthe increased income is spent on consumption. Suppose a fresh investment of 300 crores takes place in the economy. Calculate the following: (i) Change in the income, (ii) Change in saving.

15. If consumption function for economy is given as:

C=120+0.9Y then what is the value of multiplier?

16. If consumption at zero level o income is 40 crores an investment multiplier is 4 then determine the relevant consumption function.

17. It is planned to increase national income by 1000 crores. How much increase in investment is required the relevant consumption fucntion:

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18. Calculate AD, AS for every level of income and the equilibrium level, from the following schedule: (assuming that the investment is fixed at 40 crores)

Income	100	200	300	400	500	600
Consumption	120	200	280	360	440	520

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19. Calculate aggregate demand (AD) aggregate supply (AS) for all levels and the equilivbrium leveul of income from the given schedule, if the investment is fixed at 20crores:

Income	0	10	20	30	40	50	60	70	80	90	'00
Consumption	20	25	30	35	40	45	50	55	60	65	70

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20. In a two sector economy, the income and consumtions functions are Y=C+I and C=50+0.80Y. If the investment are 50 crores. Calculate(a) Equilibrium level of income, (b) Level of consumption at equilibrium (C) Saving at equilibrium

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21. The function of saving (S) is given to be, S=-40+0.25Y. If planned investement are 100 crore determine (a) Equilibrium level of income (b) Level of consumption at equilibrium, (c) Saving at equilbrium.

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22. The saving function of an economy is given as, S=-50+0.4. The economy is in equilibrium at the income level of 1500 crores. Calculate (a) Investment at equilibrium income level. (b) Autonomous consumption: (c) Multiplier.

23. The consumption funtion of an economy as, C=100+0.25Y (where C =Consumption expenditure and Y=National Income). Calculate saving if consumption expenditure at equilibrium level of national income is 500 crores.

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24. The consuption function of an economy is given as, C=200+0.75, if planned investment are 500 crores, calculate equilibrium level of national income

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25. In an economy the consumption function is C =600+0.9Y where C is consumption expenditure, when investment expenditure is 500

26. In an economy S=-50+0.5Y is the saving function (where S= saving and Y=national income) (ii) Consumtion expenditure at equilibrium level of national income

27. In an economy C=300+0.8Y and I=500 (Where C=Consumption,Y=Income, I=investment) Calculate the following (a) Equilibrium level of income, (b) Consumption expenditure at equilibrium level of income.

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28. The consumption function is give as C=75+0.75Y and autonomous investment is 100 crore. Derive the saving function and calculate the level of income at which saving is equal to investment.

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29. From the following information about an economy calculate (i) its equilibrium level of national income. Consumption function, $C=200+0.9Y$ (where C=consumption expenditure and Y =national income) investment expenditureI=3000.

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30. In an economy the marginal propensity to save 0.25. Investment is increased by 200 crores. Calculate the total increase in income and consumption expenditure.

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31. By increase in investment of 100 crores national income of a country increases by 250 crores. Find out the marginal propensity to consume.

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32. If increase in investment 125 crores and increase in national incomes is 500 crores, calculate marginal propensity to save.

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33. In an economy marginal propensity to save is 0.10. How much increases in investment is required so that

national income rises by 400 crores?

34. In an economy investment incresaes by 600 crores. If marginal propencity to consume is 0.7. What is the increase in total national income?

35. Give marginal propensity to save 0.25, what will be the incresae in national income if investment increase b 125 crore. Calculate.

36. As a result of increase in investment by 60 crore, national income rises by 240 crore. Calculate marginal propensity to consume.

37. It is planned by a new investment of 1000 crores in the economy. How much will be the increase in National income if marginal propensity to save is 0.4? Calculate

38. An increase in investment by 400 crores leads to increase in National income by 1600 crores. Calculate marginal propensity to consume

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39. In an economy the marginal propensity to consume is 0.75. Investment expenditure in the economy increases by 75crore. Calculate the total increase in national income.

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40. An economy is in equilibrium. Its consumption function C =300+0.8Y where C is consumption expenditure and Y is income and investment is 700. Find national income.

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41. An economy is in equilibrium. Its national is 5500 and autonomous consumption expenditure is 500. What is the total consumption expenditure if marginal propensity to consume is 0.7?

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42. Find 'investment' from the following National income=500, Autonomous consumption-100 Marginal propensity to consume=0.75

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43. Find consumption expenditure from the following Autosome consumption=100 Marginal propensity to consume=0.70, National Income=1000

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44. C=100+0.4Y is the consumption function of an economy where C is Consumption Expenditure and Y is

National Income. Investment expenditure is 1,100 Calculate(i) Equilibrium level of National Income, (ii) Consumption expenditure at equilibrium level of national income.

45. C=50+0.5Y is the consumption function where C is Consumption Expenditure and Y is National Income. Investment expenditure is 2,000 in an economy Calculate(i) Equilibrium level of (National) Income, (ii) Consumption expenditure at equilibrium level of national income.

46. From the data given below about an economy, calculate (a) investment expenditure, and (b) Consumtion expenditure

(i) Equilibrium level to income -5000

(ii) Autonomous consumption -500

Marginal propensity to consume-0.4

47. In an economy $C=200+0.75Y$ is the consumption function where C is consumption expenditure and Y is national income. Investment expenditure is 4000. Calculate equilibrium level of income and consumption expenditure.

48. Fromt the following data about an economy, calculate, (a) Equilibrium level of national income, and (b) Total consumption expenditure at equilibrium level of income national income.

(i) $C = 200 + 0.5Y$ is the consumption funciton where C is consumption expenditure and Y is national income.

(ii) Investment expenditure is 1500

49. Calculate Investment from the following

50. Calculate Marginal Propensity to Consume from the following

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51. Calculate equilibrium level of income from the following:

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52. Calculate Marginal Propensity to Consume from the following

53. Calculate investment expenditure from the following data about an economy which is in equilibrium

National income=1000

Marginal propensity tosave=0.25

Autonomous consumption expenditure=200

54. Calculate autonomous consumption expenditure from the following data about an economy which is in equilibrium

National Income=1200

Marginal propensity to save=0.20

Investment expenditure =100

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55. Calculate Marginal Propensity to Consume from the

following data about an economy which is in equilibrium

National Income=1500

Marginal propensity to save=300

Investment expenditure =300

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56. Calculate Marginal Propensity to Consume from the following data about an economy which is in equilibrium

National Income=2000

Marginal propensity to save=200

Investment expenditure 100

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57. From the following data about an economy, calculate the equilbrium level of income:

National Income=0.5

Marginal propensity to save=300

Investment expenditure =6000

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58. In an economy the autonomous investment is 100 and the consumption is C=80+0.4Y. Is the economy in equilibrium at an income level 400? Justify your answer.

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59. In an economy the autonomous investment is 60 and the marginal propensity to consume If the equilibrium level of income is 400? Then the autosomes consumption is 30. True and False? Justify your answer.

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60. An economy is in equilibrium. Calculate national income fromt the following:

National Income=100

Marginal propensity to save=0.2

Investment expenditure 200

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61. An economy is in equilibrium. Find Marginal propensity to consume from the following:

National Income=2000

Marginal propensity to save=400

Investment expenditure =200

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62. An economy is in equilibrium. Calculate the investement Expenditure from the following:

National Income=800

Marginal propensity to save=0.3

Investment expenditure =100

63. An economy is in equilibrium. Calculate the Marginal Propensity to Save from the following:

National Income=1000

Marginal propensity to save=100

Investment expenditure =120

64. An economy is in equilibrium. Calculate Autonomous

Consumption from the following.

National Income=1250

Marginal propensity to save=0.2

Investment expenditure =150

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65. S=-100+0.2Y is the saving funtioon in an economy.

Investment expenditure is 5000. Calculate the

equilibrium level of income.

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66. Calculate the equilirbium level of income in the economy if C=500+(0.9)Y , and investment Expenditure=3000

67. In an economy investment increases from 300 to 500. As a result of this, equilibrium level of income increses by 2,000. Calculate the marginal propensity to consume

68. In an economy 20 percent of incresed incomeis saved. How much will be there increase in income if investment increase by 10,000? Calculate

69. Suppose marginal propensity to consume is 0.8. How much increase in investment is required to increase naitonal income by 2000 crore?Calculate

70. An economy is in equilibrium. Calculate Marginal Propensity to Consume. National income=1000

Autonomous Consumption Expenditure=200

Investment Expenditure=100

71. An economy is in equilibrium. Find autosomes comsumption expenditure

National income=1600

Marginal propensity tosave=300

Autonomous consumption expenditure=0.8

72. From the following data calculate the equilibrium level of national income.

National income=500

Marginal propensity tosave=0.2

Autonomous consumption expenditure=2000

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73. Calculate consumption expenditure in the economy whose equilibrium level of income is 20000 autosomous consumption is 500 and marginal propensity to save is 0.5

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74. An economy is in equilibrium. From the following data about an economy, calculate autonomous consumption.

National income=5000

Marginal propensity tosave=0.2

Autonomous consumption expenditure=800

75. An economy is is equilibrium. From the following data, calculate the marginal propensity to save

National income=10000

Marginal propensity tosave=5000

Autonomous consumption expenditure=8000

76. An economy is in equilibrium. From the following data, calculate investment expenditure.

National income=0.9

Marginal propensity tosave=200

Autonomous consumption expenditure=10000

77. In an economy investment increased by 1,100 and as result of it, income increased by 5500. Had the marginal propensity to save been 25 percent, what would have been the increase in income?

78. If marginal propensity to consume is 0.8, how much

will be the value of investment multipilier? Calculate

79. If an economy (a) Consumption function is given by

C=100+0.75Y. And (b)Autonomous Investment is 150

crore. Estimate (i) Equilibrium level of income and (ii)

Consumption and Saving at the Equilibrium level of

income.

80. If an economy C=500+0.9Y and I=1000 crores, where C=consumption Expenditure, y=National income, I=Investment. Calculate the following, (i) Equilibrium level of income, (ii) Value of Investment Multiplier

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81. In an economy C=200+0.5Y is the consumption function where C is the consumption expenditure and Y is the national income. Investment expenditure is 400 crore. It is the economy in equilibrium at incom level 1500 crores? Justigy your answer.

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1. Measure the level ex-ante aggregate demand when autonomous investment and consumption expenditure(A) is rupee50 crore, and MPS is 0.2 and level of income(Y) is ruppe 4000crores. State whether the economy is in equilibrium or not (cite reason)

Hint: The aggregate demand (AD) function is given as

AD=A+b(y) Given A=50, b or MPC=1-MPS =1-0.2=0.85

Putting the values A and b in AD function we get

AD=50+0.8 $\times$ 4000=3250crores

Economy is not at equillibrium as AD of 3250crores is less than Y (or AS) of 4000 crores,

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1. At equillibrium level:

    A. Consumption = investment

    B. Aggregate demand= saving

    C. Saving = investment

    D. Consumption=saving

Answer:

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2. If MPC is 0.6 the investment multiplier will be:

A. 1.67

B. 2.5

C. 6

D. 4

Answer:

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3. The maximum value of multiplier is_ when the value of

MPC is_

A. infinity,zero

B. infinity,one

C. one,infinity

D. None of these

Answer:

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4. When planned saving is less than planned investment,

It indicates a situation when:

A. AD $<$ AS

B. AD=AS

C. AD $>$ AS

D. None of these

Answer:

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5. If MPC=MPS, the value of multiplier is:

A. Infinity

B. One

C. Equal to MPC

D. Two

Answer:

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6. Multiplier is_ related to MPC

    A. directly

    B. Not

    C. Indirectly

    D. Rarely

Answer:

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7. When economy decides to save the whole of its additional income, the value of investment multiplier will be

A. 1

B. Indeterminate

C. 0

D. Infinity

Answer:

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8. _refers to a situation when AD is equal to AS beyond the full employment level.

    A. full employment Equilibrium

    B. Over full Employment Equilibrium

    C. Under employment Equilibriium

    D. None of these

Answer:

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9. The algebracic relationship between multiplier and MPC is

A. Multiplier(k)=1+MPC

B. Multiplier (k)=1-MPC

C. Multiplier (k) = $\dfrac{1}{1-MPC}$

D. Multiplier (k) = $\dfrac{1}{M}PC$

Answer:

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10. If saviing funciton of an economy is given as, S-=40+0.4(Y), then MPC is

A. 1

B. 0.4

C. 0.6

D. None of these

Answer:

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11. The value of multiplier is

A. $\dfrac{1}{MPC}$

B. `1/(MPS)

C. $\dfrac{1}{1 - MPS}$

D. $\dfrac{1}{MPC - 1}$

Answer:

12. If MPC =1 the value of multiplier is:

A. 0

B. 1

C. Between 0 and 1

D. Infinity

Answer:

13. If MPC=0 the value of multiplier is

A. 0

B. 1

C. Between 0 and 2

D. Infinity

Answer: B

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14. MPC=0.75 and as a result of Multiplier Effect, National Income increased by 300 crores by an additional investment of...

A. ₹400 crores

B. ₹225 crores

C. ₹1200 crores

D. ₹75 crores

Answer: D

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15. When aggregate demand is greater than aggregate supply, inventories.

A. Fall

B. Rise

C. Do not change

D. First fail, then rise

Answer: A

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16. If C=20+0.80Y and Investment Expenditures is 50 crores, then Equilibrium income is

A. 400crores

B. 225crores

C. 200crores

D. 100crores

Answer: C

17. When planned saving is less than planned investment, then,

A. National income is likely to fall

B. There will be no change in National income

C. National income is likely to rise

D.

Answer:

18. If MPS=0.20. and investment is increased by 400 crores, the total increases in income will be:

    A. 80crores

    B. 2000crores

    C. 500crores

    D. 3200crores

Answer:

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19. If MPS=0.30, Autonomous Consumptions=50crores and Investment=100crores, then Equilibrium Income will

  A. 500crores

  B. 150crores

  C. 300crores

  D. 45crores

Answer:

20. If the marginal propensity of consume is greater than marginal propensity to save, the value of the

multiplier will be (choose the correct alternative).

A. greater than 2

B. less than 2

C. equal to 2

D. equal to 5

Answer:

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Others

1. What are two alternatives ways of determing equilibrium level of income. How are these related?

2. What are two appraoches for determining the equilibrium level of income?

3. How is the equilibrium level of income attained through AD and AS apprach?

4. How is the quilibrium level of income through saving and investment apprach?

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5. If plannned savings are greater than planned investments, what will be its effect on investment?

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6. If in an economy, investment is greater than saving, what is the effect on the national income?

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7. What happens to the level of national income when aggregates supply exceeds aggregate demand?

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8. What is meant by effective demand?

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9. Is it necessary thar equility between AD and AS is established at the full employment level?

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10. What is meant by full equallity employment?

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11. What is under employment equilibrium?

▶ View Text Solution

12. What is the meaning of over full employment equilibrium

▶ View Text Solution

13. Define the term 'multiplier'. How do we measure it?

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14. An increase of rupee 100crore in investment leads to a rise 500 crores in the national income.

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15. What is the relationship between marginal propensity to save and multiplier?

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16. If MPC and MPS are equal. What is the value of the multiplier?

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17. State the relationship between multiplier and MPC.

> ▶ View Text Solution

18. If investment multiplier is 1, what will be the value of marginal propensity to consume?

> ▶ View Text Solution

19. What can be the minimum value of investment multiplier?

> ▶ View Text Solution

20. What can be the maximum value of multiplier?

> ▶ View Text Solution

21. If marginal propensity to save is 0.1. Calculate value of multiplier.

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22. If the value of marginal propensity to consume is 0.8. Calculate the value of multiplier.

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23. What is the value of multiplier when Marginal Propensity to Save is zero?

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24. Why is the AD curve also known as 'C'+I' curve?

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25. Explain 'Paradox of Thrift'.

Hint: The 'Pardox of Thrift' is an economic theory, propounded by J.M Keynes. Accordings to Keynes, when people start saving money instead of spending it, in response to growing cercons about a recession, they actually make the recession worse

Rise in MPS means a fall in MPC. When MPC falls, aggregate consumptions in the economy falls. It leads to rise in inventory of producers. To clear the unwanted increase in inventory, firms would plan to reduce the production. It will reduce the demand for factor services and factor incomes. As a result the total volume of saving genreated in the economy would fail (or remain unchanged).

This theory is referred as a paradox because the theory seems to be beneficial, but is actually deterimental(disadvantageous) for the economy.