Time Allowed: 45 mins.

Questions 1 to 11 of 1 marks   **Maximum Marks: 25**

Q-1   If autonomous consumption is greater than zero, it indicates that the national income of the economy will be_____
A) Rising   B)Falling   C)Zero   D)Constant

Q-2   The consumption function of an economy is given c=50+0.6 Y. Which of the following statement is true for this economy.

A) Consumption at zero level of National income is 50 crores   B) People spend 60% of rise in income on consumption

C) Both A and B   D) People save 60% of rise in income

Q-3   Which of the following statement is false?

A)   At break even point the value of APC is one

B)   The value of marginal propensity to consume is always positive

C)   APC can never be greater than one

D)   Full employment implies absence of involuntary unemployment

Q-4   The value of _____Can never be negative, while _____can have a value equal to one.

A) APS, APC   B) MPC, APS   C) APC, APS   D) MPS, APC

Q-5   APC _____(falls/rises), while APS _____(falls/rises) with increase in National income.

Assertion/Reason

Q-6   (A) Consumption curve makes an intercept on the Y-axis, some point above the origin.

(R) People need certain basic goods and services to sustain themselves, even if income is zero.

Q-7   (A) MPS varies betwenn 0 and infinity.

(R) Incremental income is either spent on consumption or saved for future use.

Q-8   Can the value of MPC be greater than one?

Q-9   Give the meaning of involuntary unemployment

Q-10   What do you understand by ex-post saving and ex-post investment?

Q-11   'Full employment does not stand for zero unemployment' defend or refute.

Q-12   The consumption function of an economy is C= -40+0.8 Y. Determine that level of income where average propensity to consume will be one.   (3)

Q-13   The consumption curve makes an intercept of rs. 60 crores on the y-axis. If MPC:MPS can be expressed as 1:3 then derive the saving and consumption function. Also determine the level of income, when saving becomes zero.(3)

Q-14   Given consumption curve, derive saving curve and state the steps in doing so. Use diagram.   (4)

Q-15   (i) Explain break even point with the help of diagram.   (2+2)

(ii) What is difference between MPS and MPC and also relation between two.

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