



# THE GURUKUL INSTITUTE

PLOT 5C, 2ND FLOOR, GANAPATI COMPLEX, SEC-13, OPP. JAIPURIA  
SCHOOL, VASUNDHARA, GHAZIABAD (U.P)

## MACRO TEST

1. Explain briefly the agency functions performed by commercial banks.
2. State the main functions of a central bank? Explain (i) currency authority (ii) lender of last resort.
3. Explain 'banker to government' function and 'supervisor' of a central bank.
4. Explain with the help of a numerical example how an increase in investment in an economy affects its level of income.
5. Why must aggregate demand be equal to aggregate supply at the equilibrium level of income and output? Explain with the help of a diagram.
6. In an economy marginal propensity to consume is 0.75. If investment expenditure is increased by Rs.500 crores, calculate the total increase in income and savings.
7. Explain the equilibrium level of income with the help of Consumption + Investment (C+I) curve. If planned savings is greater than planned investment, what adjustments will bring about equality between the two?
8. Draw on a diagram a straight line savings curve for an economy. From it derive the consumption curve, explaining the method of derivation. Show a point on the consumption curve at which average propensity to consume is equal to 1.
9. Explain and graphically represent the concept of deflationary gap. Explain any one measure of removing this gap.
10. Explain the role of 'cash reserve ratio' and 'bank rate' in reducing aggregate demand in an economy.
11. Explain briefly how changes in (i) government expenditure (ii) bank rate, can be helpful in correcting excess demand in an economy.
12. What is meant by open market operations? Briefly describe their effects on credit creation by commercial banks.
13. Give the meaning of (i) tax revenue (ii) non tax revenue. Give one example of each.
14. Explain revenue receipts in a government budget with appropriate example.
15. Distinguish between direct and indirect tax? Give two examples of each.
16. Giving reasons, categorize the following into revenue expenditure and capital expenditure:
  - (i) Recovery of loans
  - (ii) Corporation tax
  - (iii) Dividends on investments made by government
  - (iv) Sale of a public sector undertaking
17. Explain the relation between foreign exchange rate and supply of foreign exchange.
18. When exchange rate of foreign currency rises, its supply rises. How? Explain.
19. Explain how foreign exchange rate is determined in a foreign exchange market? Use diagram.
20. Distinguish between current account and capital account of balance of payments account. State two components of each. Mention any two transactions of capital account.
21. A country's balance of trade is Rs.100 crores and value of export of goods is Rs. 175 crores. Find out the value of import of goods.
22. A country's balance trade is Rs.(-)60 crores and value of import of goods is Rs.100 crores. Find out the value of exports of goods.
23. The value of a country's import of goods is Rs.200 crores and value of export of goods is Rs.250 crores. Find out its balance of trade.
24. What is the concept of 'primary deficit' in a government budget? What does this deficit indicate?
25. Why is repayment of loan a capital expenditure?