

The Islamia University of Bahawalpur

Department of Political Science

Final Term Examination

Subject: Macroeconomics

Class: BS Public Administration (2nd)

Time: 20 minutes

Marks: 20

Q.No1 Choose the correct option:

1. Currency notes and coins are called as:
a) Flat money b) Legal money c) Fiat money d) Both (a) and (c)
2. The total demand for goods and services in an economy is known as
a) aggregate demand. b) national demand.
c) gross national product. d) economy wide demand.
3. According to Keynes, the level of employment is determined by
a) interest rates. b) the level of prices.
c) the level of aggregate supply in the economy
d) the level of aggregate demand for goods and services.
4. The *SAS* curve and the *LAS* curve
a) Intersect at potential GDP.
b) Are parallel at potential GDP.
c) Are perpendicular to one another at potential GDP.
d) None of the above answers is correct.
5. The largest tax collected at the federal government level is the:
a) Income tax b) Sales tax c) Property tax d) Social security tax
6. A decrease in the price level will:
a) shift the AS curve to the left. b) Shift the AS curve to the right.
c) Shift the AD curve to the left. d) leave both the AD curve and the AS curve unchanged.
7. Other things constant, the economy's aggregate demand curve shows that
a) As the price level falls, real GDP decreases.
b) Any change in the price level shifts the aggregate demand curve.
c) The quantity of real GDP demanded decreases when the price level rises.
d) The quantity of real GDP demanded and the price level are not related.
8. Increased levels of spending on imports:
a) Shift aggregate supply to the right
b) Shift aggregate supply to the left
c) Shift aggregate demand to the right
d) Shift aggregate demand to the left
9. If aggregate supply is totally price inelastic, an increase in aggregate demand will:
a) Increase price but not output b) Increase output but not price
c) Increase output but not price d) Decrease output and price
10. The long-run aggregate supply (LAS) curve
a) Has a positive slope. b) has a negative slope.
c) is vertical. d) is horizontal.

Q.No2. Mark True or False.

1. Macroeconomics studies individual economic unit
2. Medium of exchange is a primary function of money
3. A cheque is a fiat money.
4. As Income raises, saving also rise.
5. The equality between aggregate demand and aggregate supply determines the equilibrium level of employment.
6. When demand increases, the demand curve shifts to the left
7. If price falls, supply curve will shift to the left.
8. The part of income that is not consumed is called as investment
9. Indirect taxes are paid directly by people to the government.
10. National Income is studied under Macroeconomics.

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Note: Attempt all questions.

Q.No2. Define the following.

(14)

- i. Direct and indirect taxes
- ii. Real wages
- iii. Market power
- iv. Fiat money
- v. Productivity
- vi. GDP
- vii. Unemployment

Q.No.3 Define Aggregate Demand Curve? Explain in detail why the aggregate demand curve is down-sloping. Specify how your explanation differs from the rationale behind the down-sloping demand curve for a single product.

Q.No.4 What is meant by money? Explain its function.

(8)
(8)

SAMPLE