

## CA Foundation Economics Test

### Ch 5: Business Cycles

1. During recession the employment rate \_\_\_\_\_ and output \_\_\_\_\_  
 A Rises-falls                                      B Rises-rises  
 C falls-rises                                        D Falls-falls
2. The internal cause of business cycle is  
 A Technology shocks                                      B Fluctuation in effective demand  
 C Post war reconstruction                                      D Population Growth
3. An unemployment type cause due to structural changes in the economy is which of the following-  
 A Involuntary unemployment                                      B frictional unemployment  
 C Full employment    D Structural unemployment
4. At ‘trough’ the production in the economy reaches at which of the following-  
 A High    B Low  
 C Constant    D Negative
5. According to some economists which is not the prime cause of Business Cycles?  
 A Fluctuations in investment                                      B Micro Economic policy  
 C Impact on aggregate economic activity                                      D Psychological factors
6. The four phases of Business Cycle are  
 A Peak, Construction , Depression and Boom  
 B Prosperity, Recession, Depression and Expansion  
 C Boom, Downswing , Expansion and Prosperity  
 D Peak, Recession , Trough and Recovery
7. Which of the following was the impact of China’s recent slowdown?  
 A Cycle of decline and panic across the world  
 B Countries across the Globe were able to insulate themselves from the crisis  
 C Stock markets in the Emerging Economics largely remained unaffected  
 D Old technology fuelled the economic decline
8. Friction unemployment is the characteristic of which of the following stages  
 A Expansion    B Peak  
 C Construction    D Recovery
9. Actual demand stagnates in which stage?  
 A Peak    B Trough  
 C Recovery    D Contraction
10. A typical business cycle has \_\_\_\_\_ distinct phases.  
 A 2    B 4  
 C 5    D Many
11. Business cycles are contagious and \_\_\_\_\_ in nature.  
 A local    B regional  
 C national    D international
12. Which of the following is not correctly matched?  
 A Keynes: Fluctuation in aggregate effective demand  
 B Hawtrey: Purely monetary phenomena  
 C Schumpeter: Innovations  
 D Pigou: Fluctuations in investments

13. The world economy suffered the longest, deepest and most widespread depression of the 20<sup>th</sup> century during:  
**A** 1930 **B** 1934  
**C** 2001 **D** 2008
14. Which one of the following is an important characteristic of business cycles according to Pigou?  
**A** demographic factors **B** natural factors  
**C** psychological factors **D** monetary factors
15. According to theory of business cycles, once a peak is reached \_\_\_\_\_ begins in the economy as the increase in demand and halts declining in certain areas.  
**A** expansion **B** contraction  
**C** depression **D** recovery
16. Which of the following is an external cause of business cycles?  
**A** population growth **B** variations in government spending  
**C** money supply **D** macroeconomic policies
17. Which of the following is true for business cycles?  
**A** They occur periodically **B** They have four distinct phases  
**C** Generally originate in a free market economy **D** All of these
18. Which is not the characteristic feature of expansion phase in business cycle?  
**A** Increase in national output **B** Unemployment  
**C** Rise in price and costs **D** Boost in business confidence
19. Which is not related to great depression of 1930?  
**A** It started in USA  
**B** John Maynard Keynes regarded lower aggregate expenditure as the cause  
**C** Excess Money supply  
**D** Both a & b
20. Which of the following is true about leading indicators?  
**A** Measurable economic factors **B** Changes after real output  
**C** Both **A** and **B** **D** None
21. Find the odd one out from the following question Example of coincident indicators are  
**A** Industrial production **B** Inflation  
**C** Retail Sales **D** New orders for plant and equipment
22. Variables that change after real output change are:  
**A** leading indicators **B** lagging indicators  
**C** concurrent indicators **D** None of these
23. The turning point of business cycle is predicted by:  
**A** leading indicators **B** lagging indicators  
**C** concurrent indicators **D** All of these
24. What is the most visible sign of recession in an economy?  
**A** Fall in the level of employment **B** Rise in inventory cost  
**C** Fall in price level **D** Weakening stock market
25. During the trough phase of business cycle, the growth rate becomes:  
**A** high **B** low  
**C** negative **D** zero