

BRAHMASTRA SERIES

Chapter : 5

BUSINESS

CYCLE

1. The term business cycle refers to :
 - (a) The ups and downs in production of commodities.
 - (b) The fluctuation levels of economic activity over a period of time
 - (c) Decline in economic activities over prolonged period of time
 - (d) Increasing unemployment rate and diminishing rate of savings

2. The rhythmic fluctuation in aggregate economic activity that an economy experience activity that an economy experiences over a period of time are called :
 - (a) Inflation
 - (b) Unemployment
 - (c) Business cycles
 - (d) Growth rate

3. Which of the following statement is correct for a business cycle ?
 - (a) A typical feature depression is the rise in the interest rate.
 - (b) A typical feature of depression is the constant interest rate.
 - (c) Recession is the severe form of depression
 - (d) Depression is the severe form of recession

4. The economy – wide fluctuations in production, trade and general economic activity is referred as :
 - (a) Business Cycle
 - (b) Economic Cycle
 - (c) Boom – bust Cycle
 - (d) All of the above

5. Greatest depression suffered by economy in which year ?
 - (a) 1924
 - (b) 1930
 - (c) 2008
 - (d) 2009

6. According to _____ trade cycle is a purely monetary phenomenon.
 - (a) Schumpeter
 - (b) Nicholas Kaldor
 - (c) Keynes
 - (d) Hawtrey

7. According to _____ trade cycle is occurs due to the onset of innovations.
- (a) Hawtrey (b) Adam Smith
(c) J. M. Keynes (d) Schumpeter
8. Trade cycles occurs as a result of the mismatch between the aggregate demand function and aggregate supply function. Who said this ?
- (a) Pigou (b) Schumpeter
(c) Hawtrey (d) Keynes
9. Which is not related to great depression of 1930 ?
- (a) It stated in USA
(b) John Maynard Keynes regarded lower aggregate expenditure as the cause
(c) Excess money supply
(d) Both (a) and (b)
10. Which of the following is not correct about the business cycles ?
- (a) Business cycles have distinct phase of expansion, peak, contraction and trough
(b) Business cycles generally originate in capitalist economics
(c) Business cycles are contagious and are internal in character
(d) All sectors of the economy are adversely affected in equal proportion
11. The world economy suffered the congest deepest and most widespread depression of the 20th century during _____.
- (a) 1934 (b) 1928
(c) 1930 (d) 1932
12. Recent example of the business cycle is the housing bubble of the US economy bubble got bust in the year _____.
- (a) 1930 (b) 1998
(c) 2000 (d) 2007

13. Which among following is not a feature of business cycles ?
- (a) Business cycles are sporadic in nature.
 - (b) Business cycles have serious consequence on the well – being of the society.
 - (c) Business cycles are exceedingly complex phenomena
 - (d) Business cycles are contagious
14. The rhythmic fluctuations in aggregate economic activity that an economy experience over a period of time is called :
- (a) Business cycle
 - (b) Recession
 - (c) contraction phase
 - (d) Recovery
15. The business cycles or the periodic booms and slumps in economic activities reflect the _____ in economic activities.
- (a) Upward movements
 - (b) Downward movements
 - (c) Upward and downward movements
 - (d) Extreme rise
16. Which statement is correct ?
- (a) Depression of severe form of trough
 - (b) Depression causes fall in interest rate.
 - (c) Peak is highest point
 - (d) All of the above
17. When aggregate economic activity is increasing in an economy, the economy is said to be in _____.
- (a) Peak
 - (b) Contraction
 - (c) Expansion
 - (d) Trough
18. During the phase of trough of business cycle, the growth rate became _____
- (a) negative
 - (b) zero
 - (c) high
 - (d) low
19. When aggregate economic activity is expanding it is said to be in :
- (a) Contraction
 - (b) expansion
 - (c) at turning point
 - (d) a peak

20. During _____ there is fall in level of investment and employment.
(a) boom (b) recovery
(c) contraction (d) depression
21. The term _____ refers to the top or the highest point of business cycle.
(a) Top (b) Expansion
(c) Peak (d) Equilibrium
22. Select the add out :
(a) Expansion (b) Boom
(c) Upswing (d) Trough
23. _____ represents the steady growth or the growth of the economy when there are no business cycles.
(a) Peak (b) Trend
(c) Depression (d) Expansion
24. In which phase of business cycles levels of investment & employment falls:
(a) Peak (b) Recession
(c) Expansion (d) Contraction
25. Which of the following is not a phase of business cycle ?
(a) Peak (b) Trough
(c) Expansion (d) Reconstruction
26. Actual demand stagnates in which of the following stage of a business cycle ?
(a) Expansion (b) Peak
(c) Contraction (d) Recovery

27. Which one of the following is not for expansion phase of business cycle ?
- (a) Involuntary unemployment is almost zero
 - (b) Price and costs also tend to rise faster
 - (c) Increase in capital and consumer expenditure
 - (d) Supply exceeds demand
28. The phase of business cycle in which growth rate becomes negative and the level of national income and expenditure declines rapidly resulting in widespread unemployment.
- (a) Contraction
 - (b) Recession
 - (c) Depression
 - (d) Recovery
29. Which indicators coincide or occur simultaneously with the business cycle movements ?
- (a) Legal
 - (b) Lagging
 - (c) Leading
 - (d) Concurrent
30. Expansion phase is characterized by increases in _____.
- (a) National output, employment and demand
 - (b) Excessive investment over production
 - (c) Unemployment, workers accept work at lower wages
 - (d) Decrease in input demand and prices fall down
31. Which business cycle phases are collectively known as turning points ?
- (a) trough and depression
 - (b) peak and trough
 - (c) expansion and contraction
 - (d) peak and boom
32. Peaks and troughs of the business cycle are known collectively as :
- (a) Volatility
 - (b) Turning points
 - (c) equilibrium points
 - (d) real business cycle events
33. _____ sector cannot be included as 'cyclical' businesses.
- (a) Electric goods
 - (b) house builder
 - (c) agriculture
 - (d) restaurants

34. Which of the following is not an example of cyclical business ?
- (a) Fashion retailers (b) Ensure builders
(c) Restaurants (d) Washing powder
35. The four phases of the business cycle are :
- (a) Peak, recession, trough and boom
(b) Peak, depression, trough and boom
(c) Peak, recession, trough and recovery
(d) Peak, depression, bust and boom
36. Expansion phase of business cycle depicts characteristics except _____.
(a) Consumer spending on goods and services tend to rise
(b) Business confidence tends to rise
(c) Interest rates and profits tend to rise
(d) Unemployment tends to rise
37. _____ state continues till there is full employment of resources and production is at its maximum possible level using available productive resources.
(a) Expansion (b) Peak
(c) Contraction (d) Depression
38. At 'trough' the production in the economy reaches at which of the following :
(a) High (b) Low (c) Constant (d) Negative
39. The lowest level of economic activity is called :
(a) Depression (b) Boom
(c) Expansion (d) Contraction
40. Production of new and better goods and services using new technology :
(a) Troughs in business cycle
(b) Loss of employment
(c) Expansion of employment
(d) Reduced need of investment

41. The different phases of a business cycle :

- (a) Do not have the same length and severity
- (b) Expansion phase always last more than ten years
- (c) Last many years and are difficult to get over in short periods
- (d) None of the above

42. Which phase of business cycle is characterized by increase in national output, employment, aggregate demand, capital and consumer expenditure sales, profits etc. ?

- (a) Depression (b) Contraction
- (c) Trough (d) Expansion

43. A typical feature of depression is _____ in the interest rate.

- (a) Rise (b) constant (c) Fall (d) Infinity

44. In _____ phase, the overall economic activities (i.e. production and employment) are at the lowest level.

- (a) Expansion (b) Trough
- (c) Peak (d) Bottom

45. Increase in national output and other economic variables is a characteristic of _____ on business cycles.

- (a) Trough (b) depression
- (c) contraction (d) expansion

46. Peaks and troughs of the business cycle are known collectively as :

- (a) volatility (b) turning points
- (c) equilibrium points (d) real business cycle events

47. Actual demand stagnates in which stage :

- (a) Peak (b) trough (c) recovery (d) contraction

48. Identify the odd one in the followings :

- (a) Downswing (b) Recession
- (c) Boom (d) Contraction

49. In which stage of the business cycle involuntary unemployment is almost zero ?

- (a) Expansion (b) Peak (c) Contraction (d) Recovery

50. Which of the following characteristics does not belong to expansion path of business cycles ?

- (a) Consumer spending on goods and service tend to rise
- (b) Business confidence tends to rise
- (c) Interest rates and profits tend to rise
- (d) Unemployment tends to rise

51. The expansion phase is characterized by high growth rate. What is the next phase after expansion ?

- (a) Peak (b) Contraction
- (c) Downstream (d) None of the above

52. Which of the following does not occur during an expansion ?

- (a) Consumer purchases of all types of goods tend to increase.
- (b) Employment increases as demand for labour rises.
- (c) Business profits and business confidence tend to increase
- (d) None of the above

53. Which phase is the Highest point of the business cycle ?

- (a) Upswing (b) Downswing
- (c) Peak (d) Trough

54. In a typical business cycle, in which phase supply exceeds demand ?

- (a) Expansion (b) Peak (c) Contraction (d) Recovery

55. In which of the following phase of a business cycle, actual demand stagnates ?
(a) Expansion (b) Peak (c) Contraction (d) Recovery
56. _____ is the turning point and the beginning of recession.
(a) Contraction (b) Depression
(c) Upswing (d) Boom
57. A significant decline in general economic activity extending over a period of time is :
(a) Business cycle (b) Contraction phase
(c) Recession (d) recovery
58. Which is not an example of coincident indicator ?
(a) Inflation (b) GDP
(c) Financial market trend (d) Interest rate
59. Variables that change before the real output changes are called as :
(a) Trade cycle (b) Business cycle
(c) Leading indicators (d) Lagging indicators
60. _____ are the variables that change after the real output.
(a) Leading indicator (b) Lagging indicator
(c) Coincident indicator (d) Concurrent indicator
61. When aggregate economic activity is declining the economy is said to be in :
(a) Contraction (b) An expansion
(c) A trough (d) A turning point
62. According to law of trade cycle, which of the following is correct ?
(a) Trade cycle occurs as a result of innovation
(b) Trade cycle is purely monetary phenomenon
(c) Fluctuation in economy activity is due to fluctuation in demand
(d) Fluctuation in government expenditure

63. Economic recession shares all of these characteristics except :

- (a) Fall in the levels of investment, employment
- (b) Incomes of wage and interest earners gradually decline resulting in decreased demand for goods and services.
- (c) Investor confidence is adversely affected and new investment may not be forthcoming.
- (d) Increase in the price of inputs due to increased demand for inputs.

64. Which one of the following is not a feature of contraction ?

- (a) Decrease in input demand pulls input prices down.
- (b) Increases of wage and interest earns gradually decline.
- (c) Producers lower their prices in order to dispose of their inventories.
- (d) Business firms become optimistic about future state of economy.

65. During recession, the unemployment rate _____ and output _____.

- (a) rises ; falls (b) rises ; rises
- (c) falls ; rises (d) falls ; falls

66. Excess capacity in capital industries is the characteristics of which of the following stage ?

- (a) Trough (b) Recovery
- (c) Depression (d) Peak

67. An unemployment type cause due to structural changes is the economy is which of the following :

- (a) Involuntary (b) Ethical friction
- (c) Full employment (d) Structural

68. Chinas recent slowdown causes :

- (a) Cycle 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.

69. _____ phase of business cycle marks the end of pessimism and the beginning optimism.

- (a) Recovery
- (b) Depression
- (c) Upswing
- (d) Downswing

70. What is the most visible sign of recession in an economy ?

- (a) Fall in the level of employment
- (b) Fall in price level
- (c) Rise in the inventory cost
- (d) Weakening stock market

71. Which of the following is an internal cause of business cycles ?

- (a) Population growth
- (b) Wars
- (c) Natural factors
- (d) Fluctuations in the effective demand

72. Which of the following factors is an external cause or exogenous factor which may lead to a boom or burst ?

- (a) Economical factor
- (b) Social factor
- (c) Natural factor
- (d) Industrial factor

73. The trough of a business cycle occurs when _____ hits its lowest point.

- (a) Inflation in the economy
- (b) The money supply
- (c) Aggregate economic activity
- (d) The unemployment rate

74. The lowest point in the business cycle is referred to as the :

- (a) Expansion (b) Boom
- (c) Peak (d) Trough

75. The most feature of business cycles :

- (a) Pervasive nature (b) regular length
- (c) Periodic intensity (d) None of these

76. The period 1929 – 33 is cited for _____ of world economy.

- (a) Great depression (b) Great recovery
- (c) Great upswing (d) Great downswing

77. Feature of _____ is fall in interest rates and people's demand for holding liquid money.

- (a) Contraction (b) Peak
- (c) Trough & depression (d) Recovery

78. In recovery phase of business cycle, the process of reversal is initially felt in the _____.

- (a) Capital market (b) Labour market
- (c) Production level (d) Financial market

79. Business that are more vulnerable to changes in business cycle and whose fortunes are closely linked to rate of economic growth are called as :

- (a) Vulnerable business (b) Cyclical business
- (c) Leading Business (d) Lagging business

80. Boom and depreciation in business cycles are :

- (a) Turning points (b) Equilibrium points
- (c) Both (a) and (b) (d) None of the above

81. Which of the following is not the phase of business cycles ?

- (a) Prosperity (b) Upswing
- (c) Reconstruction (d) Depression

82. Which of the following is not a variable in the index of leading indicators ?
(a) Prime rate (b) Delayed deliveries
(c) construction permits (d) New consumer goods orders
83. Which of the following is not an example of coincident indicator ?
(a) Industrial production (b) Inflation
(c) Retail sales (d) New orders for plant and equipment
84. Those variables that change before the real output changes are called :
(a) Leading indicators (b) Lagging indicators
(c) concurrent indicators (d) Business indicators
85. Friction unemployment is the characteristic of which of the following stages :
(a) Expansion (b) Peak (c) construction (d) Recovery
86. Identify which among the following is an example of a lagging indicator ?
(a) Stock market prices (b) Gross domestic product
(c) Unemployment (d) Industrial production
87. Leading economic indicators :
(a) Are used to forecast probable shifts in economic policies.
(b) Are generally used to forecast economic fluctuations.
(c) Are indicators of stock prices existing in an economy
(d) Are indicators of probable recession and depression.
88. Variable that give information about the rate of change of the expansion or contraction of an economy more or less at the same time it happens are called :
(a) Lagging indicators (b) Coincident indicators
(c) Leading indicators (d) Economic indicators

89. A measurable economic factor that changes before the economy starts to choose a particular pattern is _____.
(a) Coincident indicator (b) Leading indicator
(c) Cyclical indicator (d) lagging indicator
90. A leading indicator is :
(a) A variable that tends to move along with the level of economic activity.
(b) A variable that tends to move in advance of aggregate economic activity.
(c) A variable that tends to move consequent on the level of aggregate economic activity.
(d) None of the above
91. Coincident indicators are also known as :
(a) Lagging indicators (b) Concurrent indicators
(c) Effective indicators (d) Leading indicators
92. Consumer price index number belongs to which of the following indicator?
(a) Leading indicator (b) Lagging indicator
(c) coincident indicator (d) stock market indicator
93. Which of the following is a coincident indicator ?
(a) New order of plant and equipment
(b) Corporate profits
(c) GDP
(d) Labour cost per unit
94. Those variables that changes after the real output changes are called as :
(a) Lagging indicators (b) Leading indicators
(c) Concurrent indicators (d) Coincident indicators

95. The variable that changes after the real income changes is known as _____ indicator.

- (a) Leading (b) Lagging
- (c) Co – incidental (d) they do not indicate anything

96. From the following variance that change after real output changes areas _____.

- (a) Coincide indicator (b) Coincide economy indicator
- (c) Lagging indicator (d) Concurrent indicator

97. Which of the following is not an example of lagging indicator ?

- (a) Consumer price index (b) Labour cost price per unit
- (c) Commercial lending (d) Personal income

98. _____ is measurable economics factor that changes before economy starts to follow a particular pattern of trend.

- (a) Lagging indicators (b) Leading indicators
- (c) Coincident indicators (d) Concurrent indicators

99. Which of the following is an example of a leading indicator ?

- (a) Change in stock prices
- (b) Change in unemployment rate
- (c) Change in GDP
- (d) Change in commercial leading activity

100. A measurable economic factor that changes before the economy starts follows particulars pattern/trend is :

- (a) Leading factor (b) Lagging factor
- (c) Coincident factor (d) Concurrent factor

101. Coincident economic indicators are also called as which of the following?

- (a) Leading indicators (b) Concurrent indicators
- (c) Headed indicators (d) Capacity indicators

102. A variable that tends to move later than aggregate economic activity is called :
- (a) A leading variable (b) A coincident variable
(c) A lagging variable (d) A cyclical variable
103. Those variables that change before the real output changes prior in large economic adjustments are called as _____
- (a) Coincident indicator (b) Leading indicator
(c) Concurrent indicator (d) Lagging indicator
104. Coincident indicators are also called as :
- (a) Lagging indicator
(b) Leading indicator
(c) Concurrent indicator
(d) None
105. Which of the following best describes a typical business cycle ?
- (a) Economic Expansion are followed by economic contractions
(b) Inflation is followed by rising income and unemployment
(c) Economic expansions are followed by economic growth and development.
(d) Stagflation is followed by inflationary economic growth.
106. 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
107. Last stage of recession is called :
- (a) Depreciation (b) Recovery
(c) Slowdown (d) All of these

108. Variables that change after real output changes are known as :
- (a) Leading indicators
 - (b) Cyclical indicators
 - (c) Lagging indicators
 - (d) Coincident indicators
109. When once peak is reached, increase in demand is halted, then _____ phase begins ?
- (a) Trough
 - (b) Contraction
 - (c) Expansion
 - (d) Trend
110. Which of the following macro economic variables would you include in an index of leading economic indicators ?
- (a) Employment
 - (b) Inflation
 - (c) Real interest rates
 - (d) Presidential investment
111. An economic variable that moves in the opposite direction as aggregate economic activity down in expansions, up in contractions is called :
- (a) Procyclical
 - (b) counter cyclical
 - (c) a cyclical
 - (d) a leading variable
112. Fashion retail is business of :
- (a) Cyclical business
 - (b) Sun rise business
 - (c) Sluggish business
 - (d) None of these
113. Rampant unemployment is found in :
- (a) Boom
 - (b) Recovery
 - (c) contraction
 - (d) Depression
114. Which economic indicator is required to predict the turning point of business cycle ?
- (a) Leading indicator
 - (b) Lagging indicator
 - (c) Coincident
 - (d) All of the above

115. Economics activities will be declining in the phase of :

- (a) Expansion (b) Depression
- (c) Contraction (d) Peak

116. In the later stages of expansion, inputs are difficult to find as they are _____ of their demand and therefore & input prices _____.

- (a) Short, increase (b) Excess, increase
- (c) short, decrease (d) excess, decrease

117. The economy cannot continue to grow endlessly. Once peak is reached, _____ in demand is halted & starts _____ in certain sectors.

- (a) increase, decreasing (b) decrease, increasing
- (c) increase, increasing (d) decrease, decreasing

118. _____ is the severe form of _____.

- (a) Depression, recovery (b) Depression, recession
- (c) Recession, depreciation (d) Recession, recovery

119. The great depression of _____ is still cited for the enormous misery and human suffering it caused.

- (a) 1929 – 1930 (b) 1929 – 1931
- (c) 1929 – 1932 (d) 1929 – 1933

120. Which of the following statement is false ?

- (a) No economy follows a perfectly timed cycle.
- (b) Business cycles vary in intensity and length.
- (c) There is no set pattern which business cycles follow.
- (d) Every business cycle has relatively longer period.

121. Which of the following phase occurs after threat and before peak ?

- (a) Boom (b) Recession
- (c) Expansion (d) Depression

122. Economic indicators are :

- (a) A one stroke solution to check the phase of economy.
- (b) Indicators showing the movement of economy.
- (c) Some activities which predict the direction of economy.
- (d) Just and illusion.

123. Industries that are extremely sensitive to the business cycle are the :

- (a) Durable goods and service sectors.
- (b) Non – durable goods and service sector.
- (c) Capital goods and non – durable goods sectors.
- (d) Capital goods and durable goods sectors.

124. Business cycle occurs :

- (a) Periodically
- (b) in different phases
- (c) both (a) and (b)
- (d) none of the above

125. Features of business cycles include :

- (a) Discuss periodically
- (b) Have four different phases
- (c) Originate in free market economy
- (d) All of the above

126. Which of the following is not a feature of business cycles ?

- (a) Business cycles are contagious and international in character
- (b) The duration of these business cycles will vary
- (c) The intensity of fluctuation varies
- (d) The length of each phase is definite

127. Which of the following is not a characteristic of business cycles ?

- (a) Business cycles have serious consequences on the well being of the society.
- (b) Business cycles occur periodically, although they do not exhibit the same regularity.
- (c) Business cycles have uniform characteristics and causes.
- (d) Business cycles are contagious and unpredictable.

128. Which of the following statement is correct ?
- (a) No economy follows a perfectly timed cycle.
 - (b) Economy follows a perfectly timed cycle.
 - (c) Most of the economy follows a perfectly timed cycle
 - (d) Capitalist economy follow a perfectly timed cycle.
129. 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
130. Business cycles are exceedingly complex phenomena because _____.[®]
- (a) They do not have uniform characteristics and causes.
 - (b) They are caused by varying factor
 - (c) It is difficult to make an accurate prediction of trade cycles before their occurrence.
 - (d) All of the above
131. Repercussions of business cycles get simultaneously felt on the economic variable :
- (a) Output and employment
 - (b) Investment & consumption
 - (c) Interest, Trade & price levels
 - (d) All of the above
132. Business cycles have _____ consequences on the well being of the society.
- (a) Some (b) Serious (c) No (d) Moderate

133. What is incorrect about business cycle ?

- (a) They occur periodically
- (b) They exhibit same regularity
- (c) The duration of cycles vary
- (d) The intercity of fluctuations also varies.

134. Which is a feature of business cycles ?

- (a) Pervasive in nature
- (b) Occurs in restrictive market economy
- (c) Periodical regulatory
- (d) It has same reasons

135. Business cycle generally originate in free market economies, what is a free market economy ?

- (a) The economy where government is in possession of major assets.
- (b) The economy where private firms control major assets.
- (c) The economy decisions of productions are taken by public sector undertakings.
- (d) The economy where price is controlled by government

136. Which of the following statement is correct ?

- (a) The business cycle largely affects the agricultural sector.
- (b) The business cycle largely affects small employees.
- (c) The business cycle generally affects all sectors of economy but business sector in particular.
- (d) The business cycle affects low wages workers.

137. The disturbances in one more sectors _____ other sectors.

- (a) do not affect
- (b) equally affect
- (c) gets easily transmitted to all
- (d) none of the above

138. Business cycle is contagious and _____ in character ?

- (a) Local
- (b) Regional
- (c) national
- (d) International

139. Business cycles may occur due to :

- (a) External causes (b) Internal causes
- (c) both (a) & (b) (d) Either (a) or (b)

140. According to monetarists, business cycles occur due to :

- (a) changes in aggregate expenditure in economy
- (b) innovation
- (c) unplanned changes in the money supply
- (d) waves of optimism & pessimism

141. Which of the following is an external cause of business cycle ?

- (a) Fluctuation of effective demand
- (b) Microeconomic policy
- (c) Changes in government spending
- (d) Technological shocks

142. According to some economists, _____ are the prime causes of business cycles.

- (a) Fluctuations in effective demand
- (b) Fluctuations in investments
- (c) Macroeconomic policies
- (d) All of the above

143. Which of the following is extreme or exogenous following that lead to boom or burst ?

- (a) Economic factor (b) Social factor
- (c) natural factor (d) Industrial factor

144. Which of the following is not an internal factor ?

- (a) Fluctuations in effective
- (b) Fluctuation in investment
- (c) Macro economic policies
- (d) Post war reconstruction

145. Which internal factor affect the business cycle ?

- (a) Fluctuations in investment
- (b) Natural factors
- (c) Technology shocks
- (d) Population growth

146. The internal causes of business cycle is :

- (a) Fluctuation on effective demand
- (b) Technology shocks
- (c) Both (a) and (b)
- (d) None

147. The internal cause of business cycle is :

- (a) Technology shocks
- (b) Fluctuation in effective demand
- (c) Post war reconstruction
- (d) Population growth

148. A decrease in government spending would cause :

- (a) The aggregate demand curve to shift to the right
- (b) The aggregate demand curve to shift to the left
- (c) A movement down and to the right along the aggregate demand curve.
- (d) A movement up and to the left along the aggregate demand curve.

149. Modern business activities are based on the anticipations of business community and are affected by waves of optimism or pessimism, according to _____.

- (a) Pigou
- (b) Keynes
- (c) Hawtrey
- (d) Schumpeter

150. According to _____ trade cycles occur due to onset of innovations.

- (a) Hawtrey
- (b) Adam Smith
- (c) J M Keynes
- (d) Schumpeter

151. Fluctuations in economic activity are due to fluctuations in aggregate effective demand. The theory is propounded by _____.

- (a) Keynes (b) Schumpeter
(c) Nicholas Kaldor (d) Pigou

152. Whose statement out of these is false ?

- (a) Hawtrey – “Trade cycle is purely monetary phenomena”
(b) Keynes – “Fluctuation in aggregate demand”
(c) Pigou – “Fluctuations in investment”
(d) Schumpeter – “innovations”

153. Find the correct option

(1) Hawtrey	(a) Innovation
(2) Pigou	(b) Money supply
(3) Schumpeter	(c) Psychological factors
(4) Keynes	(d) Effective aggregate demand

- (a) a, b, c, d (b) b, c, a, d (c) a, b, d, c (d) b, a, d, c

154. Optimistic and pessimistic mood of business community also affects the economic activities is view of _____.

- (a) Hawtrey (b) Schumpeter
(c) Pigou (d) Marshall

155. The most probable outcome if an increase in the money supply is :

- (a) Interest rates to rise, investment spending to rise, and aggregate demand to rise.
(b) Interest rates to rise, investment spending to fall, and aggregate demand to fall.
(c) Interest rates to fall, investment spending to rise, and aggregate demand to rise.
(d) Interest rates to fall, investment spending to fall, and aggregate demand to fall.

156. In the long run, a reduction in labour supply would cause output to _____ and the aggregate price level to _____.
(a) Fall, rise (b) fall, fall (c) rise, fall (d) rise, rise
157. 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
158. Endogenous factors refers to _____ causes.
(a) internal (b) external (c) economic (d) ecological
159. According to which economist trade cycle is purely monetary for phenomena :
(a) Schumpeter (b) Pigou (c) Hawtrey (d) Marshall
160. According to whom “Business fluctuations are the outcome of some psychological states of mind of business community”
(a) Marshall (b) A C Pigou (c) J K Hicks (d) Schumpeter
161. The difference between exports and imports is the _____ for goods and services.
(a) Net foreign demand (b) Gross foreign demand
(c) Net outflow (d) Net inflow
162. The external causes which may lead to boom or bust do not include :
(a) Psychological factors (b) Wars
(c) Technological shocks (d) Natural factors

163. According to Keynes , fluctuations in economic activities are due to :
- (a) Fluctuation in aggregate effective demand
 - (b) Innovations
 - (c) Changes in money supply
 - (d) Fluctuation in agricultural output
164. _____ theory holds that business cycles from the fact that present prices substantially influence the production at some future date.
- (a) Schumpeter's
 - (b) Hawtrey'
 - (c) Cobweb
 - (d) Pigou's
165. Who propounded the cobweb theory ?
- (a) Nicholas Kaldor
 - (b) Hawtrey
 - (c) Adam Smith
 - (d) Schumpeter
166. According to _____, trade cycle is a purely monetary phenomena.
- (a) Nicholas kaldor
 - (b) Hawtrey
 - (c) Adam smith
 - (d) Schumpeter
167. According to _____, modern business activities are based on the anticipations of business community and one affected by waves of optimism or pessimism.
- (a) Pigou
 - (b) Schumpeter
 - (c) Adam Smith
 - (d) Hawtrey
168. In a free market economy, where maximization of profits is the aim of business, a higher level of aggregate demand will induce businessmen to produce more. As a request , there will be more _____.
- (a) Output
 - (b) income
 - (c) employment
 - (d) all of these
169. When companies lay off workers, consumers lose their jobs and stop buying anything but necessitates. That causes a _____.
- (a) Downward spiral
 - (b) Cross spiral
 - (c) Upward spiral
 - (d) triangle spiral

170. _____ is considered to be the most volatile component of the aggregate demand.
- (a) Investment spending (b) saving flow
(c) Expenditure behavior (d) none of these
171. Investments may rise when the rate of interest is _____ in the economy.
- (a) High (b) Moderate (c) Low (d) Very high
172. Increase in investment ; shift the aggregate demand to the _____, leading to _____.
- (a) Right, economic expansion
(b) Right, depression
(c) Left, economic expansion
(d) Left, depression
173. The most common method of boosting aggregate demand is :
- (a) Increased government spending
(b) Tax cuts
(c) Both (a) & (b)
(d) None of these
174. The macroeconomic policies which cause business cycles may be :
- (a) monetary policy (b) fiscal policy
(c) both (a) & (b) (d) none of these
175. In case of softening of interest rates , _____
- (a) There will be inflationary effects and increase in unemployment rates.
(b) There will be deflationary effects and increase in unemployment rates.
(c) There will be inflationary effects and decline in unemployment rates.
(d) There will be deflationary effects and decline in unemployment rates.

176. Which of the following is anti-inflationary measure which causes a downward pressure on the aggregate demand and the economy slows down ?
- (a) Reduction in government spending
 - (b) Increase in taxes
 - (c) Increase in interest rates
 - (d) All of these
177. How many phases are there in business cycles ?
- (a) 4
 - (b) 5
 - (c) 1
 - (d) Many
178. Business cycles effect _____ of an economy.
- (a) Social aspects
 - (b) economic aspects
 - (c) all aspects
 - (d) no aspects
179. It is very important to understand the phase of business cycle and is relevant for new business because _____.
- (a) It affects the demand for their product
 - (b) It helps frame appropriate policies and planning
 - (c) It helps to decide an entry into the market
 - (d) It affects their profits
180. Which of the following industries are less sensitive to business cycle ?
- (a) Consume goods industry
 - (b) Durable consumer goods industry
 - (c) Travel and tourism industries
 - (d) Food grain processing industries
181. The period of prosperity opens up new and superior opportunities for _____ thereby promotes business.
- (a) Investment and unemployment
 - (b) Employment and production
 - (c) Production, unemployment & savings
 - (d) Investment, employment and production

182. A period of _____ reduces business opportunities and profits.
(a) Recession (b) Depression
(c) Either (a) or (b) (d) none of these
183. Business cycles have _____ influence on business decisions.
(a) negligible (b) least (c) no (d) tremendous
184. Which external factor affect the business cycle ?
(a) Population growth (b) variation in government spending
(c) money supply (d) macro economic policies
185. Economy – wide trends can have significant impact on _____
(a) Capital goods industries
(b) FMCG industries
(c) Social activities
(d) All types of business
186. Business cycle is contagious and _____ in character ?
(a) Local (b) Regional (c) national (d) international
187. Businesses whose fortunes are closely linked to the rate of economic growth are referred to as _____ business.
(a) FMCG (b) Durable goods
(c) fluctuating (d) cyclical
188. The world economy suffered the longest, deepest and most widespread depreciation of the 20th century during ?
(a) 1934 (b) 1928 (c) 1930 (d) 1932
189. Which of the following business are examples of “Cyclical business”?
(a) Fashion retailers, electrical goods & house builders.
(b) Restaurants, advertising and overseas tour operators.
(c) Construction and other infrastructure firms
(d) All of the above

190. XYZ is an advertisement agency. Its future projects are closely related to the rate of economic growth. Then XYZ business referred to as _____

- (a) Durable business (b) non durable business
- (c) cyclical business (d) non cyclical business

191. The stage/phase of the business cycle is important for :

- (a) Making managerial decisions regarding expansion or downsizing
- (b) A new business to decide on entry into the market
- (c) The success of a new product
- (d) All of the above

192. Due to recession, employment rate and output _____ respectively.

- (a) rises and rises (b) falls and falls
- (c) rises and falls (d) fall and rises