

Chapter - 7

Investment Multiplier and its working

Multiple choice questions

- From where is the concept of multiplier derived in economics?
 - English
 - Mathematics
 - History
 - Geography
- Who gave the idea of investment multiplier in economics?
 - Ricardo
 - Adam Smith
 - Keynes
 - Fisher
- Which character represents the investment multiplier?
 - K
 - L
 - M
 - N
- Which of the following is the formula for investment multiplier?
 - Change in income/ change in investment
 - change in investment/change in income
 - change in investment/change in saving
 - change in investment/ change in consumption
- What is the value of marginal propensity to consume if marginal propensity to save is 0.6?
 - 0.6
 - 0.4
 - 1.6
 - 1.6
- If the value of marginal propensity to consume is 0.5 then what will be the value of the multiplier?
 - 5
 - 50
 - 2
 - 10
- If the value of marginal propensity to save is 0.8 then what will be the value of the multiplier?
 - 8
 - 5
 - 10
 - 18
- If the investment is increased then due to forward action of the multiplier ,the income will be:
 - There is an equal increase
 - Many times more than that
 - There is an equal decrease
 - Many times less than that
- If the investment is decreased then due to backward action of the multiplier ,the income will be:
 - There is an equal increase
 - Many times more than that
 - There is an equal decrease
 - Many times less than that

True/False

1. According to the investment multiplier, when investment is increased in the economy, the increase in income is many times greater than that. (True/False)
2. In investment multiplier, investment is an independent variable and income level is a dependent variable. (True/False)
3. If an increase of Rs 10 crore in investment increases the income by Rs 30 crore, then the value of the investment multiplier will be 3. (True/False)

Fill in the Blanks:

1. There is relation between marginal propensity to consume and multiplier.
(direct/indirect)
2. There is relation between marginal propensity to save and multiplier.(direct/indirect)
3. Marginal propensity to consume =0.5, Multiplier=.....
4. Marginal propensity to save =0.8, Multiplier=.....
5. There are types of multiplier processes. (2,3)
6. Forward action of the multiplier is for economy. (good/bad)