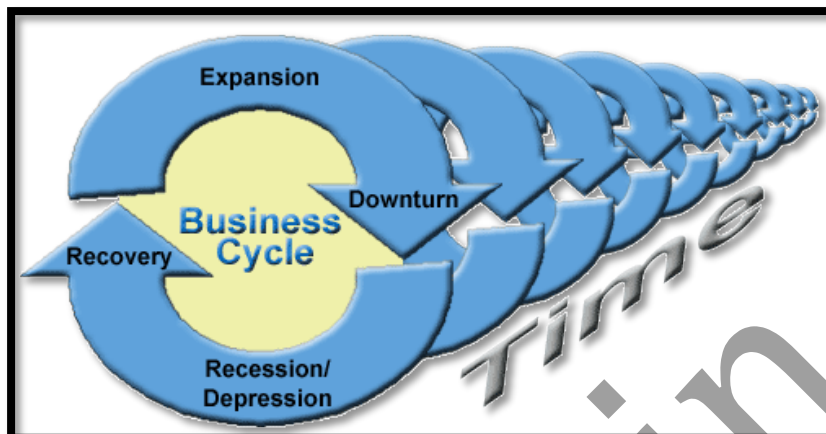


CH:5- BUSINESS CYCLE

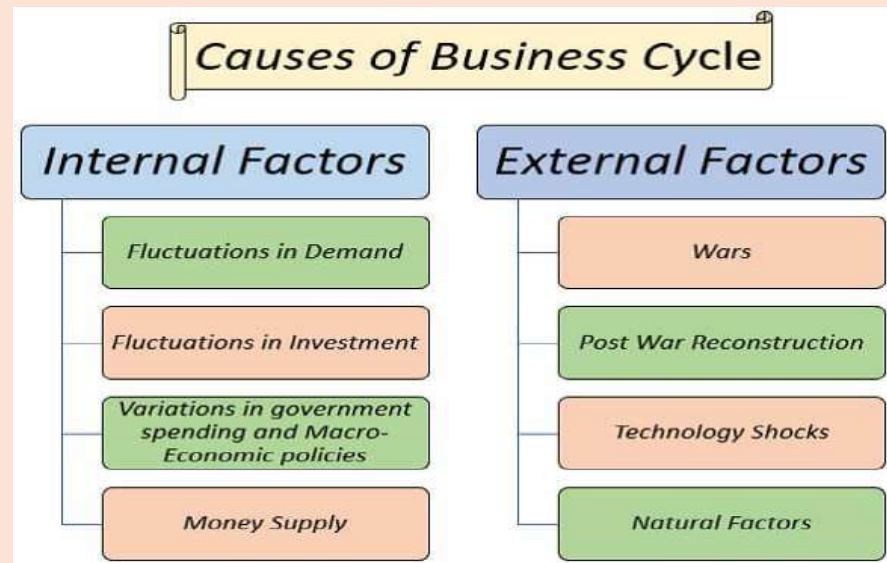


<h2>Meaning</h2>	<p>The rhythmic fluctuation in aggregate economics activity than an economy experiences over a period of time are called business cycle or trade cycle and are manifested in fluctuation in measures of aggregate economics activity such as gross national product, employment and income.</p>
<h2>Phase</h2>	<div style="background-color: #FFD700; padding: 5px; margin-bottom: 5px;"> #1 Expansion (also called boom or upswing) characterized by increase in national output and all other economic variables. </div> <div style="background-color: #006400; padding: 5px; margin-bottom: 5px;"> #2 Peak of boom or prosperity refers to the top or the highest point of the business cycle </div> <div style="background-color: #483D8B; padding: 5px; margin-bottom: 5px;"> #3 Contraction (also called downs-wing or recession) when there is fall in the levels of investment, employment. </div> <div style="background-color: #191970; padding: 5px;"> 4 Trough or depression occurs when the process of recession is complete and there is severe contraction in the economic activities </div> <p style="margin-top: 10px;">A typical business cycle has four distinct phases namely</p>
<h2>Features</h2>	<p>Business cycle occurs periodically although they do not exhibit the same regularity. Business cycle generally originates in free market economics.</p>

Introduction

Although all sector are adversely affected by business cycle
 Some sectors such as capital goods industries durable consumer goods industry etc'
 Business cycles are exceedingly complex phenomena they do not have uniform characteristic and causes they are caused by varying factors.
 Repercussions of business cycle get simultaneously felt on nearly all economics variable viz. output, employment, investment, consumption, interest, trade, and price level

Causes



Relevance of business cycle decision making.

Business cycle have tremendous influence on business decision the stage of the business cycle is crucial while making managerial decision regarding expansion or downsizing business have to advantageously respond to the need to alter production levels relative to demand different phases of the cycle require fluctuating levels of input uses especially labor input.



Question 1

Last stage of recession is called:-

- (a) Depression
- (b) Slowdown
- (c) Recovery
- (d) All

Answer: a

Explanation:

Depression is the server from of recession and is characterized by extremely sluggish economic activities during these phases of the business cycle growth rate become negative and the level of national income and expenditure decline rapidly.

Question 2

Match the following:

Feature	Stage of business Cycle
i. Rising employment and real wages	a) Recession
ii. Fall in the rate of growth	b) Boom
iii. Fall in the level of real national output	c) Slowdown
iv. Setting in of the rising trend of national output	d) Recovery

- (a) (i) (b), (ii) (c), (iii) (a) , (iv) (d)
- (b) (i) (a), (ii) (b), (iii) (c), (iv) (d)
- (c) (i) (d), (ii) (c), (iii) (c), (iv) (a)
- (d) None

Answer: a

Explanation:

Boom: - It means rising employment and real wages Boom occurs when national output is rising strongly at a rate faster than the trend rate of growth.

Slowdown: It means fall in rate of growth A slowdown occurs when the rate of growth Decelerates but national output is still rising.

Recession: It means fall in the level of real national output. A national output decline leading to contraction in employment incomes and profit.

Recovery: It means setting in of the rising trends of national output A recovery occurs when real national output picks up from trough reached at the low point of recession

Question 3

In which of the following stage of economic cycle both employed and output expand and level of aggregate demand for goods and service is high?

- (a) Economic boom (b) Economic Slowdown
(c) Economics Recovery (d) Economics Recession

Answer: a

Explanation:

Boom occurs when national is rising strongly at a faster rate than the trend rate of growth in boom condition output and employment are both expanding and the level of aggregate demand for goods and services is very high

Question 4

During the slowdown of economy:

- (a) GDP is decreasing (b) GDP is increasing
(c) GDP is increasing at a slower (d) None of the above

Answer: c

Explanation:

Slowdown occurs when the rate of growth decelerates but national output is still rising the economy continues to grow at a slower rate without falling into outright recession so in slowdown GDP is increasing at a slower rate.

Question 5

A recession is a period of:

- (a) Decline in aggregate output (b) decline in unemployment
(c) Both (a) and (b) (d) None of the above

Answer: a

Explanation:

A recession means a fall in the level of real national output i. e. a period when the rate of Economic growth is negative National output decline leading to a contraction in employment Income and profits.

Question 6

What is another name for soft lending?

- (a) Recession (b) Economic Slowdown
(c) Revival (d) None of the above

Answer: b

Answer: a

Explanation:

According to Hawtrey trade cycle is a purely monetary phenomenon unplanned changes in the supply of money causes business fluctuation in an economy.

Question 11

Which of the following is not a characteristic of business cycle?

- | | |
|--|--|
| (a) Business cycle have serious consequence On the well-being of the society | (b) Business cycle occur periodically although they do not exhibit the same regularity |
| (c) Business cycle has uniform Characteristic and causes. | (d) Business cycle are contagious and unpredictable |

Answer: c

Explanation:

Business cycle are exceedingly complex phenomena they do not have uniform characteristics and causes they are caused by varying factors therefore it is difficult to make an accurate prediction of trade cycles before their occurrence.

Question 12

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

- | | |
|------------------------|--------------------------------|
| (a) Volatility | (b) Turning points, |
| (c) Equilibrium points | (d) Real business cycle events |

Answer: b

Explanation:

The term peak refers to the top or the highest point of the business cycle at the depth Of depression all economics activities touch the bottom and the phase of trough is reached Hence peaks and trough of the business cycle are known collectively as turning points.

Question 13

According to Pigou modern business activities are bases on the

- | | |
|-------------------|------------------------|
| (a) Anticipations | (b) Monetary phenomena |
| (c) Perception | (d) None |

Answer: b

Explanation:

According to Pigou modern business activities are bases on the anticipations of business Community and are affected by waves of optimism or pessimism.

Question 14

The tendency of many different economic variables to have regular and predictable patterns across industries over the business Cycle is called

- (a) Persistence (b) Co-movement
(c) Periodicity (d) Recurrence

Answer: b

Explanation:

Coincident economics indicates also Co-movement or occur simultaneously with the business – cycle movement.

Question 15

The tendency for declines in economic activity to be followed by further decline and for growth in economic activity to be followed by more growth is called

- (a) Persistence (b) Co movement
(c) Periodicity (d) Recurrence

Answer: a

Explanation:

Decline in aggregate economic activity are followed by further declines growth in Aggregate economics activity is followed by more growth because of persistence Forecasting turning points is quite important.

Question 16

Economics use changes in a variety of activities to measure the business cycle is called

- (a) Indicators (b) Co-movement
(c) Periodicity (d) Recurrence

Answer: a

Explanation:

Economics use changes in a variety of activities to measure the business cycle and to predict where the economy is headed toward. These are called indicators

Question 17

Variable that changes after real output changes are called_____

- (a) Indicators (b) Co movement
(c) Lagging Indicator (d) Recurrence

Answer: c

Explanation:

A lagging indicator is a measurable economics factor that changes only after the economy has begun to follow a particular pattern or trend it is often a technical

indicator that trails the price Action of an underlying assets and traders use it to generate transaction signals or confirms the Strength of a given trend.

Question 18

A variable that tends to move later than aggregate economic activity is called

- (a) A leading variable (b) A lagging variable
(c) A coincident variable (d) An cyclical variable

Answer: b

Explanation:

A lagging is a measurable economic factor that changes only after the economy has begun to follow a particular pattern or trend it is often a technical indicator that trails the price action of an underlying assets and traders use it to generate transaction or confirm the strength of s given trends.

Question 19

Industries that are extremely sensitive to the business cycle are the

- (a) Durable goods and service sectors (b) Non-durable goods and service sectors
(c) Capital goods and nondurable goods (d) Capital goods and durable goods sectors

Answer: d

Explanation:

A capital good is any good deployed to help increase future production. Consumer goods Are any goods that are not capital goods they are goods used by consumers and have no Future productive use.

Question 20

The term business refers to

- (a) The ups and downs in productions of period of time (b) The fluctuating levels of economic activity over commodities
(c) Decline in economics activities over prolonged of time (d) Increasing unemployment and diminishing rate of saving

Answer: b

Explanation:

Business cycle refers to alternative expansion and contraction of overall business activity as manifested in fluctuation in measures of aggregate economics activity such as gross national product employed and income.

Question 21

Which of the following are internal Causes?

- (a) Psychological factors (b) Population growth
(c) Natural factors (d) Wars

Answer: a**Explanation:**

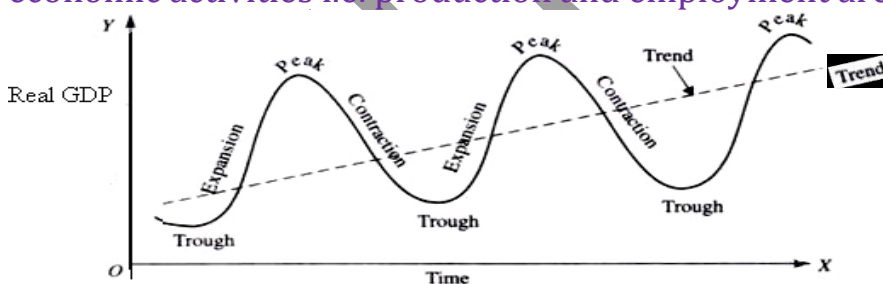
1. Fluctuations in effective demand
2. Fluctuation in investment
3. Variation in government spending
4. Macroeconomic policies
5. Money supply
6. Psychotically factors

Question 22**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

Answer: c**Explanation:**

The four phases of business cycle are shown in above figure the broken line (marked 'trend') Represent the steady growth line or the growth of the economy when there are no business. Cycle the figure starts with 'trough' when the overall economic activities i.e. production and employment are not the lowest level

**Question 23****During recession the unemployment rate ___ and output ___.**

- (a) Rises falls (b) Rises; rises
(c) Fall; rises (d) Falls; falls

Answer: a**Explanation:**

Contraction (also called - wing or recession) when there is fall in the level of investment employment and rise in unemployment.

Question 24**What are two main components of business cycle theories?**

- (a) A description of shocks and a model of How economy variables responds.
 (b) A model of how people decide to spend and a description of the govt. role in the theory
 (c) A model of how equilibrium is reached and description of the govt. in the economy
 (d) A description of shock and a description Of the govt. role in the economy.

Answer: a**Explanation:**

The two main components of any theory of the business cycle are (1) a specification of the types of shocks or disturbances that are believed to be the most important in affecting the economy and (2) a model of the macro economy that describes how key variables respond to these economic shocks.

Question 25**Which indicators confirm long-term trends, but they do not predict them**

- (a) Lagging indicators
 (b) Concurrent indicators
 (c) Both
 (d) None

Answer: a**Explanation:**

A lagging indicator is a financial sign that becomes apparent only after a large shift has taken place. Therefore, lagging indicators confirm long-term trends, but they do not predict them.

PAST EXAMINATION QUESTION**MAY 2018****Question 1****Rampant unemployment is found in:**

- (a) Boom
 (b) Concurred indicators
 (c) Both
 (d) None

Answer: d**Explanation:**

Because very much unemployment is seen in depression.

Question 2

According to which economist trade cycle is a purely monetary for phenomenon

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

Answer: b

Explanation:

Trade cycle is purely Monetary phenomenon is said by one and only HAWTREY

Question 3

Greatest depression suffered by economy in which year.

- (a) 1924 (b) 1930
(c) 2008 (d) 2009

Answer: b

Explanation:

1930 is a year in which greatest depression suffered by economy

Question 4

Third stage of business cycle is called :-

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

Answer: a

Explanation:

Contraction is the third stage of business cycle and not Peak and recovery.

Question 5

In the long Run, a reduction in labor supply would cause output to ____ and the aggregate Price level to ____.

- (a) Fall; rise (b) Fall, fall
(c) Rise, fall (d) Rise, rise

Answer: a

Explanation:

If firm in long run, reduce supply of labor then it will cause fall in output whereas Rise in aggregate price.

Question 6

Which of the following macroeconomic variables would you include in an index Of leading economic indicators?

- (a) Employment (b) Inflation
(c) Real interest rates (d) Residential investment

Answer: d

Explanation:

The variables that change before the real output changes are called leading indicators'. They often change prior to large economic adjustment it will include residential

investment as one of its Variable.

Question 7

Internal factors of business Cycle are

- (a) Fluctuations in Demand (b) Money Supply
(c) Fluctuations in Investment (d) All of these

Answer: d

Explanation:

Internal factors of business Cycle

- Fluctuations in Demand
- Fluctuations in Investment
- Money Supply

Question 8

An economics variable that moves in the opposite direction as aggregate economic activity down in expansions up in contractions is called

- (a) Pro-cyclical (b) Counter cyclical
(c) A cyclical (d) A leading variable

Answer: b

Explanation:

An economic variable that moves in the opposite direction as aggregate economic activity (down in expansion and up in contraction) is called counter cyclical.

NOV - 2018

Question 1

How many phases are their business cycles?

- (a) 4 (b) 5
(c) 1 (d) Many

Answer: a

Explanation:

Business cycle has 4 phases; expansion, peak, contraction, trough.

Question 2

Business cycle is contagious and___in character.

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

Answer: c

Explanation:

Business cycle is International in character as it effects over the world.

Question 3

Which External factor affects the business cycle?

- (a) Population growth (b) Variation in government spending
(c) Money supply (d) Macro- economic policies

Answer: a**Explanation:**

Population growth is the factor which affects business cycle.

Question 4**Which internal factor affect the business cycle**

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

Answer: a**Explanation:**

Fluctuation in Investment is the internal factor which affect business cycle

Question 5**When one peak is reached increase in demand is halted then __phase begins?**

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

Answer: a**Explanation:**

One peak is reached, increase in demand is halted and start decreasing in certain sector and therefore, phase of contraction begins.

Question 6**Fashion Retailer is business of?**

- (a) Cyclical business (b) Sun rise business
(c) Sluggish business (d) None of these

Answer: a**Explanation:**

Business whose Fortune are closely by related to the rates of economic growth are referred to as cyclical business.

MAY - 2019**Question 1****A typical business cycle has..factors**

- (a) 2 (b) 4
(c) 5 (d) Many

Answer: b**Explanation:**

A typical business cycle has 2factors; internal- external.

Question 2**Business cycle also known as_____**

- (a) Coincident Indicators (b) lagging Indicators
 (c) Business Environment (d) Trade Cycle

Answer: d**Explanation:**

The business cycle, also known as the economic cycle or trade cycle, are the fluctuations of gross domestic product (GDP) around its long-term growth trend.

Question 3**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: Fluctuation in investment

Answer: d**Explanation:**

Pigou : Fluctuation in investment is not correctly matched

Question 4**The world economy suffered the longest, deepest, and the most widespread Depression of the 20th century during**

- (a) 1930 (b) 1934
 (c) 1996 (d) 1936

Answer: a**Explanation:**

The world economy suffered the longest, deepest and the most widespread depression of the 20th century during 1930.

Question 5**Which one of the following is an important character of business cycle according to Pigou**

- (a) Psychological factors (b) Natural factors
 (c) Demographic (d) Monetary factors

Answer: a**Explanation:**

Psychological factors are an important character of business cycle according to Pigou.

Question 6**According to theory of business cycle once a contraction is reachedbegins in the economy**

- (a) Expansion (b) Contraction

(c) Depression

(d) Recovery

Answer: c

Explanation:

According to the theory of business cycle once a Contraction is reached Depression begins in the economy.

Question 7

Which of the following is the interest cause of business cycle?

(a) Fluctuation in investment

(b) Natural factors

(c) Technology shocks

(d) Population growth

Answer: a

Explanation:

Fluctuations in investment is the internal cause of business cycle

Question 8

Which of the following are the external causes of business cause of business cycle?

(a) Population growth

(b) Variations in government spending

(c) Money supply

(d) Macroeconomic policies

Answer: a

Explanation:

Population growth is external cause of business cycle

Question 9

Feature of business cycle are:

(a) Occurs periodically

(b) Have four different phases

(c) Generally originate in a free market economy

(d) All of these

Answer: d

Explanation:

Business cycles periodically though do not show same regularity, they have same distinct Phases such as expansion, peak, contraction or depression and trough.

Question 10

Change in fashion retailing is an example of:

(a) Sluggish fluctuation

(b) Sunrise fluctuation

(c) Cycle fluctuation

(d) Seasonal fluctuation

Answer: d

Explanation:

Change in fashion retailing is an example of seasonal fluctuation.

Question 11

Which of the following is not characteristic of an economic activity?

- (a) Economics activities are productive
(b) Economics activities are income generating
(c) Economics activities are sentimental
(d) All of the above

Answer: c

Explanation:

Economics activities are sentimental is not characteristic of an economic activity.

DEC- 2020**Question 1**

Which of the following phase occurs after trough and before peak?

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

Answer:a

Explanation:

Expansion describes the phase of a business cycle that occurs after a trough and before a peak.

Question 2

Which indicators coincide or occur simultaneously with the business cycle movements?

- (a) Lagging
(b) Leading
(c) Concurrent
(d) Legal

Answer : c

Explanation:

An economic indicator that provides information on the current state of the economy. ... For example, coincident indicators move up when GDP is growing and down when GDP is shrinking. A common example is personal income. It is also called a concurrent indicator..

Question 3

What is the most visible sign of recession in an economy

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

Answer : c

Explanation:

GDP declines and unemployment rates rise because companies lay off workers to reduce costs. At the microeconomic level, firms experience declining margins during

a recession. Hence, fall in price level.

Question 4

Taxation policy of government is the part of

- (a) Monetary policy (b) Fiscal policy
(c) EXIM policy (d) Industry policy

Answer: b

Explanation:

Fiscal policy refers to the use of government spending and tax policies to influence economic conditions, especially macroeconomic conditions, including aggregate demand for goods and services, employment, inflation, and economic growth. Hence, Taxation policy of government is the part of fiscal policy

Question 5

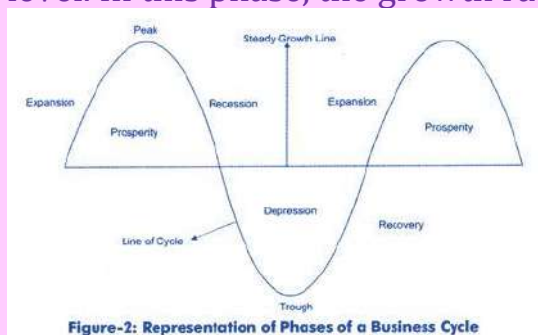
During the phase of trough of business cycle, the growth rate became ___

- (a) High (b) Low
(c) Negative (d) Zero

Answer: c

Explanation:

During the trough phase, the economic activities of a country decline below the normal level. In this phase, the growth rate of an economy becomes negative.



Question 6

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

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

Answer: c

Explanation:

In economics a leading indicator is defined as a measurable economic factor that changes before the economy starts to follow a particular pattern or trend. Leading indicators are used to predict changes in the economy, but are not always accurate.

Question 7

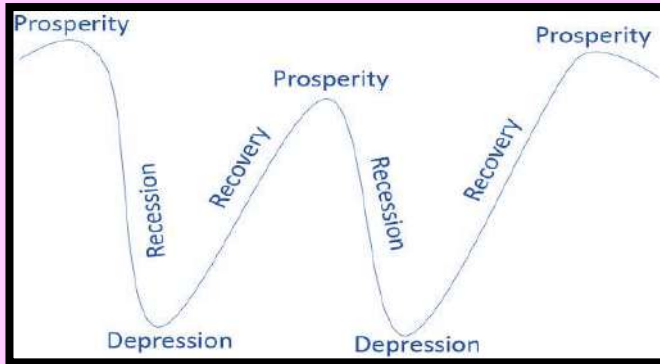
Which of the following is an internal cause of business cycles

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

Answer : c

Explanation:

Cause of business cycles



Question 8

Phases of business cycles are

- (a) Peak, recession, expansion and trough
(b) Bottom, recession, trough and boom
(c) Peak, depression, trough and boom
(d) Peak, depression, bust and boom

Answer: a

Explanation:

The four stages of the economic cycle are also referred to as the business cycle.

These four stages are expansion, peak, contraction, and trough. During the expansion phase, the economy experiences relatively rapid growth, interest rates tend to be low, production increases, and inflationary pressures build.

Question 9

Which is not an example of coincident indicator :-

- (a) Inflation
(b) GDP
(c) Interest rate
(d) Financial market trend

Answer : c

Explanation:

A coincident indicator is an economic statistical indicator that changes (more or less) simultaneously with general economic conditions and therefore reflects the current status of the economy. Hence, Interest rate is only one which is not example of coincident indicator.

Question 10

During ___ there is fall in level of investment and employment

- (a) Contraction (b) Depression
(c) Boom (d) Recovery

Answer : a

Explanation:

During contraction there is fall in level of investment and employment.

Question 11

The feature of business cycles ___

- (a) Pervasive nature (b) Regular length
(c) Periodic intensity (d) None

Answer:a

Explanation:

Business cycles are not limited to one firm or one industry. They originate in the free economy and are pervasive in nature.

JAN- 2021

Question 12

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

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

Answer: c

Explanation:

Interest rates tend to go down during a recession as governments take action to mitigate the decline in the economy and stimulate growth. Low interest rates can stimulate growth by making it cheaper to borrow money, and less advantageous to save it.

Question 13

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) Trough & Depression (d) Recovery

Answer: b

Explanation:

A cyclical industry is a type of industry that is sensitive to the business cycle, such that revenues generally are higher in periods of economic prosperity and expansion and are lower in periods of economic downturn and contraction.

Question 14

Optimistic and Pessimistic mood of business community also affects the economic activities is view of _____

- (a) Haw trey (b) Schumpeter
(c) Pigou (d) Marshall

Answer: c

Explanation:

As per Pigou, "Optimistic and Pessimistic mood of business community also affects the economic activities".

Question 15

According to Haw trey, 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 fluctuation is demand (d) Fluctuation in government expenditure.

Answer: b

Explanation:

Hawtreys describes the trade cycle as a purely monetary phenomenon, in this sense that all changes in the level of economic activity are nothing but reflections of changes in the flow of money.

Question 16

The term business cycle refers to

- (a) The ups and downs in production of commodities (b) The fluctuating 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

Answer: b

Explanation:

The business cycle is defined as the real fluctuations in economic activity and GDP over a period of time, or in the long-run.

Question 17

During recession the unemployment rate _____ and output _____

- (a) Rises; Falls (b) Rises; Rises
(c) Falls; Rises (d) Falls; falls

Answer: a

Explanation:

In a recession, the current unemployment rate is higher than the natural rate, & actual economic output drops below its potential, which creates a negative output gap.

Question 18

Which of the following is not a characteristic of business cycle?

- | | |
|---|--|
| (a) Business cycles have serious consequences on the wellbeing 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. |

Answer: c

Explanation:

Important characteristics of a business:

- Economic activity:
- Buying and Selling:
- Continuous process:
- Profit Motive:
- Risk and Uncertainties:
- Creative and Dynamic:
- Customer satisfaction:
- Social Activity

Question 19

According to _____ trade cycles occur due to onset of innovations

- | | |
|-----------------|----------------|
| (a) Hawtrey | (b) Adam smith |
| (c) J.M. Keynes | (d) Schumpeter |

Answer: d

Explanation:

Schumpeter considered trade cycles to be the result of innovation activity of the entrepreneurs in a competitive economy.

Question 20

A measurable economic factor that changes before the economy starts follows Particulars pattern/trend is

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

Answer: a

Explanation:

Economic leading indicators can help to predict and forecast future events and trends in business, markets, and the economy.

Question 21

Coincident indicators are also known as _____

- | | |
|------------------------|---------------------------|
| (a) Logging indicators | (b) Concurrent indicators |
|------------------------|---------------------------|

(c) Effective indicators

(d) Leading indicators

Answer: b**Explanation:**

Coincident indicators move up when GDP is growing and down when GDP is shrinking. It is also called a concurrent indicator.

JULY - 2021

Question 1

Which phase of Business Cycle in increase in national output, employment, aggregates demand, capital and consumer expenditure, sales, profit etc.?

(a) Depression

(b) Contraction

(c) Trough

(d) Expansion

Answer: d**Explanation:**

The first stage in the business cycle is expansion. In this stage, there is an increase in positive economic indicators such as employment, income, output, wages, profits, demand, and supply of goods and services

Question 2

Coincident economic indicators are also called as

(a) Leading Indicators

(b) Concurrent Indicators

(c) Headed Indicators

(d) Capacity Indicators

Answer: b**Explanation:**

A coincident indicator is an economic statistical indicator that changes (more or less) simultaneously with general economic conditions and therefore reflects the current status of the economy. Typical examples of coincident indicators are industrial production or turnover.

Question 3

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

Answer: b**Explanation:**

Psychological factors: According to Pigou, modern business activities are based on the anticipations of business community and are affected by waves of optimism or pessimism. Business fluctuations are the outcome of these psychological states of mind of businessmen.

Question 4

Which of the following is not a characteristic of business cycles

- | | |
|---|--|
| (a) Business cycles are contagious and are international in character. | (b) Business cycles have uniform Characteristics and causes. |
| (c) Business cycles have serious consequences on the well-being of the society. | (d) Business cycles generally originate in free market economics |

Answer: b

Explanation:

- A business cycle has many fluctuations and it depends on the economic condition of a country.
- The business cycle consists of recessions and expansions.
- Due to fluctuation in economic activities, the business cycle occurs repeatedly.
- The sequences of changes that take place in the business cycle occurs again and again but are not periodic in nature.

Question 5

Variables that change before real output changes are called as:

- | | |
|-----------------------|-----------------------|
| (a) Trade Cycle | (b) Business Cycle |
| (c) Leading Indicator | (d) Lagging Indicator |

Answer: d

Explanation:

A lagging indicator is a key performance indicator that reflects some measure of output or past performance that can be seen in operational data or financial statements and reflects the impact of management decisions or business strategy.

Question 6

In which of the following phases of business cycle, "actual demand stagnates".

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

Answer: b

Explanation:

In the expansionary phase, the economy experiences growth over two or more consecutive quarters. Typically, interest rates are lower, employment rates are rising, and consumer confidence strengthens. The peak phase occurs when the economy has reached its maximum productive output, signaling the end of the expansion.

Question 7

In typical business cycle, which of the following phases "supply exceeds demand".

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

Answer: b

Explanation:

The first stage in the business cycle is expansion. In this stage, there is an increase in positive economic indicators such as employment, income, output, wages, profits, demand, and supply of goods and services

Question 8

The-Rhythmic fluctuations in aggregate economic activity that an economy experiences over a period of time is called,

- (a) Business cycle (b) Recession
(c) Contraction (d) Recovery

Answer: a

Explanation:

Business cycles are intervals of expansion followed by recession in economic activity. They have implications for the welfare of the broad population as well as for private institutions.

Question 9

Variables that change after real output changes are known as

- (a) Leading Indicators (b) Cyclical Indicators
(c) Lagging Indicators (d) Coincident Indicators

Answer: c

Explanation:

Question 10

Internal causes of business cycle is -

- (a) Fluctuation on investment (b) Natural factors
(c) Technology shock (d) Population growth

Answer: a

Explanation:

Just as fluctuations in demand, a fluctuation in investment is one of the main causes of business cycles. The investments will fluctuate on the basis of a lot of factors such as the rate of interest in the economy, entrepreneurial interest, profit expectation, etc.

Question 11

Which business cycle phases are known as Turning Points?

- (a) Trough and Depression (b) Peak and Trough
(c) Expansion and Contraction (d) Peak and Boom

Answer: b

Explanation:

Turning points are called **peaks** the period immediately preceding a decline in real activity, or recession and **troughs** the period immediately preceding an upturn, or expansion.

Question 12

Variable that change before the real output change are called as -

- (a) leading indicators (b) misleading indicators
(c) both (d) none

Answer: a

Explanation:

Leading indicators: Leading, coincident, and lagging indicators are economic variables that change before, at the same time as, and after changes in real GDP, respectively.

DEC - 2021

Question 1

_____ is when economic activity is increasing?

- (a) Contraction (b) peak
(c) expansion (d) Depression

Answer: a

Explanation:

The economy is moving out of recession money is cheap to borrow, business build up inventories again and consumers start spending. GDP rises, per capita income grows, unemployment declines and equity markets generally perform well

Question 2

Highest point of business cycle is known as -

- (a) Contraction (b) peak
(c) trough (d) none

Answer: b

Explanation:

Peak: An economic cycle, which is also referred to as a business cycle, has four stages: expansion, peak, contraction, and trough. **A peak is the highest point** of a business cycle and is followed by a contraction and eventual trough. Peaks are called after the fact once economic indicators have confirmed that contraction has set in and isn't simply noise.

Question 3

Which of the following is not the characteristics of business cycle

- (a) It is sporadic in nature (b) It is contagious
(c) It is complex phenomenon (d) peak

Answer: d

Explanation:

A trough in the business cycle occurs when a recession ends and economic recovery or expansion begins. A recession's depth is determined by the magnitude of the peak-to-trough decline in the broad measures of output, employment, income, and sales.

Question 4

Phase is characterized by increase in national output, employment, aggregated demand, capital and consumer expenditure.

- (a) Boom (b) Expansion
(c) Both (d) None

Answer: c

Explanation:

Expansion or Boom: This phase is characterized by an increase in output and employment. There is also an increase in the demand in the market, capital expenditure, sales and subsequently an increase in income and profits.

Question 5

Which of the following is an example of lagging indicator-

- (a) Unemployment (b) Employment
(c) Rigid Employment (d) None

Answer: a

Explanation:

Unemployment: A lagging indicator is an observable or measurable factor that changes sometime after the economic, financial, or business variable with which it is correlated changes. Some general examples of lagging economic indicators include the unemployment rate, corporate profits, and labor cost per unit of output.

Question 6

Which of the following is not a leading indicator-

- (a) Future movement (b) Prime rate
(c) neither a nor b (d) None

Answer: b

Explanation:

A leading indicator is a piece of economic data that corresponds with a future movement or change in some phenomenon of interest. Economic leading indicators can help to predict and forecast future events and trends in business, markets, and the economy.

Question 7

Usual occupation means

- (a) Regular occupation (b) irregular occupation
(c) Seasonal occupation (d) None

Answer: a

Explanation:

Regular occupation: Usual occupation means the substantial and material acts you are routinely performing for your employer when your disability begins. So it is regular occupation

Question 8

According to which economist, trade cycle is a purely monetary phenomenon

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

Answer: c

Explanation:

According to Hawtrey, trade cycle is a purely monetary phenomenon. Unplanned changes in the supply of money may cause business fluctuation in an economy.

Question 9

_____ is a measurable economic factor that changes at the same time when economy starts to follow a particular pattern of trend.

- | | |
|------------------------|--------------------------|
| (a) Leading Indicators | (b) Coincident Indicator |
| (c) Lagging Indicator | (d) Heading Indicator |

Answer: b

Explanation:

A third type of indicator is coincident indicator. Coincident economic indicators, also called concurrent indicators, coincide or occur simultaneously with the business-cycle movements. Since they coincide fairly closely with changes in the cycle of economic activity, they describe the current state of the business cycle. In other words, these indicators give information about the rate of change of the expansion or contraction of an economy more or less at the same point of time it happens. A few examples of coincident indicators are Gross Domestic Product, industrial production, inflation, personal income, retail sales and financial market trends such as stock market prices.

Question 10

According to fluctuations in economic activities are due to fluctuations in aggregated effective demand.

- | | |
|------------|--------------|
| (a) Keynes | (b) Hawtrey |
| (c) Pigou | (d) Marshall |

Answer: a

Explanation:

According to Keynes, fluctuations in economic activities are due to fluctuations in aggregate effective demand (Effective demand refers to the willingness and ability of consumers to purchase goods at different prices). In a free market economy, where maximization of profits is the aim of businesses, a higher level of aggregate demand

will induce businessmen to produce more. As a result, there will be more output, income and employment. However, if aggregate demand outstrips aggregate supply, it causes inflation.

Question 11

In India, Monetary policy is implemented by

- | | |
|---------|-----------|
| (a) RBI | (b) SEBI |
| (c) SBI | (d) ICICI |

Answer:

Explanation:

The Reserve Bank of India (RBI) is vested with the responsibility of conducting monetary policy. This responsibility is explicitly mandated under the Reserve Bank of India Act, 1934.

Question 12

Economic indicator required to predict the turning point of business cycle is:

- | | |
|-----------------------|-----------------------|
| (a) Leading indicator | (b) Lagging indicator |
| (c) Coincident | (d) All of the above |

Answer:

Explanation:

Economic indicator required to predict the turning point of business cycle is:

- (a) Leading indicator
- (b) Lagging indicator
- (c) Coincident

JUNE - 2022

Question 1

Involuntary unemployment is zero in:

- | | |
|-----------------|------------|
| (a) Expansion | (b) Peak |
| (c) Contraction | (d) Trough |

Answer: a

Explanation:

In expansion, involuntary unemployment is almost zero and whatever unemployment is there is either frictional or structural.

Question 2

Actual Demand Stagnates in:

- | | |
|---------------|-----------------|
| (a) Expansion | (b) Contraction |
| (c) Peak | (d) Trough |

Answer: c

Explanation:

Actual Demand Stagnates when there is an end in expansion and beginning of peak. So

demand stagnates at "peak". Here, consumers begin to review their expenditure.

Question 3

Typical feature of depression is _____ in the interest rate:

- (a) Fall (b) Rise
(c) Constant (d) None of the above

Answer: a

Explanation:

Depression is the severe form of recession people; demand for liquid money increases resulting in decrease/fall in interest rates.

Question 4

Fall in interest rate is a typical feature of depression. Indicator which changes after the real output changes?

- (a) Lagging Indicator (b) Leading Indicator
(c) Coincident indicator (d) Concurrent Indicator

Answer: a

Explanation:

Lagging indicators reflect the economy's historical performance they are observable after an economic trend or pattern already occurred. Variables that change after real output changes are "Lagging indicators".

Question 5

Coincident indicator is also known as:

- (a) Concurrent Indicator (b) Lagging Indicator
(c) Leading Indicator (d) None of the above

Answer: a

Explanation:

Coincident indicator is also known as concurrent indicator as these are occurring simultaneously with the business cycle movements.

Question 6

What is leading indicator in the following?

- (a) Change in GDP (b) Change in Stock
(c) Unemployment (d) Commercial leading Activity

Answer: b

Explanation:

Leading indicators are:

- (i) Changes in stock price.
(ii) New orders for capital goods.
(i) New orders for consumer goods.

Question 7

_____ sector can not be a cyclical business.

- (a) Electric goods (b) House building
(c) Agriculture (d) Restaurant

Answer: c

Explanation:

Business whose fortunes are closely linked to the rate of economic growth are cyclic all businesses. Ex- Fashion Retailers, electric goods, restaurants, house building.

Question 8

Which of the following is correct?

- (a) Recession is severe form of depression (b) Depression is a severe form of recession
(c) In case of depression interest rates rises (d) All of the above

Answer: b

Explanation:

Depression is severe form of recession. Recession when is complete economic activities pushes economy into phases of depression and severe contraction in

Question 9

The lowest point in the business cycle is referred to as -

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

Answer: c

Explanation:

The lowest point in business cycle is referred as trough, it is the lowest point of business cycle in contrast to peak/ boom.

Question 10

Which of the following is not the main feature of business cycle?

- (a) Occurs Periodically (b) Worldwide impact
(c) Profit Variation (d) Asynchronous

Answer: d

Explanation:

Asynchronous

Reason: There are several feature of a Business Cycle given below:

1. Occurs Periodically
2. Synchronous
3. Major Sectors are Affected
4. Profit Variation
5. Worldwide Impact

DEC - 2022**Question 1**

Which of the following is not an example of cyclical business?

- | | |
|----------------------|-------------------|
| a) Fashion retailers | b) House Builders |
| c) Restaurants | d) Washing powder |

Answer: d

Explanation:

Washing powder comes under consumer staples the term consumer staples refers to a set of essential products used by consumers. This category includes things like foods and beverages, household goods, and hygiene products as well as alcohol and tobacco.

Question 2

Recent example of the Business cycle is ' the housing bubble' of the US economy. This bubble got bust in

- | | |
|---------|---------|
| a) 1930 | b) 1998 |
| c) 2000 | d) 2007 |

Answer: d

Explanation:

The United States subprime mortgage crisis was a multinational financial crisis that occurred between 2007 and 2010 that contributed to the 2007–2008 global financial crises.

Question 3

Peaks and troughs of the business cycle are known collectively as

- | | |
|-----------------------|-------------------------------|
| a) Volatility | b) Turning points |
| c) Equilibrium points | d) Real business cycle events |

Answer: b

Explanation:

The business cycle refers to the fluctuations in the level of economic activity. The business cycle is characterized by four main phases/ turning points.

Question 4

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

- | | |
|--|--------------------------------------|
| a) Consumers 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 |

Answer: d

Explanation:

Expansion (also called boom or upswing)

Characterized by increase in national output and all other economic variables so unemployment does not rise instead more employment is generated.

Question 5

The rhythmic fluctuations in aggregate economic activity that an experience over a period of time are called

- a) Inflation
- b) Unemployment
- c) Business cycles
- d) Growth rate

Answer: c

Explanation:

The business cycle refers to the fluctuations in the level of economic activity. The business cycle is characterized by four main phases/ turning points.

Question 6

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

Answer: c

Negative growth is a decline in a company's sales or earnings, or a decrease in an economy's GDP during any quarter. Declining wage growth and a contraction of the money supply are characteristics of negative growth, and economists view negative growth as a sign of a possible Trough or depression.

Question 7

Trade cycles occur as a result of mismatch between aggregate demand function and aggregate supply functions. Who said this?

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

Answer: d

Explanation

Keynes economists believe that a change in demand causes a change in the economic activities. Which causes trade cycle

Question 8

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

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

Answer: d

Explanation

Joseph Schumpeter considered trade cycles to be the result of innovation activity of the

entrepreneurs in a competitive economy. In his view trade cycles are an inherent part of the process of economic growth of a capitalist society.

Question 9

_____ are the variables that changes after the real output changes.

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

Answer: b

Explanation

A lagging indicator is an observable or measurable factor that changes sometime after the economic, financial, or business variable with which it is correlated changes. Some general examples of lagging economic indicators include the unemployment rate, corporate profits, and labor cost per unit of output.

Question 10

Which one of the following factors is an external cause or exogenous factor which may lead to boom or bust?

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

Answer: c

Explanation

External cause of business cycle

- Natural factors
- Technology shocks
- Population growth
- Wars
- Post war reconstruction