



Department of Education, Sabaragamuwa/weekly school

week- August 4

Subject-Economics

Grade-12

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1. Why marginal propensity to consume is less than 1 in a simple closed economy.
2. Explain the factors that can cause a leftward shift of the aggregate demand function of an open economy.
3. Two points of the consumption function of a hypothetical economy are as follows.
(Data are in Rs.millions)

Disposable Income (Yd)	Consumption (C)
1000	1250
3000	2750

Following data of this economy also have been provided to you.

Gross investment (I) = 300
Government purchase (G) = 100
Government Tax (T) = 100

- (a) Derive the consumption function.
 - (b) What is the value of equilibrium level of income?
 - (c) Show that leakages are equal to injections at equilibrium level of income.
4. Can there be an equilibrium level of national income together with unemployment in an economy?
Explain your answer with a suitable graph.