



Department of Education, Sabaragamuwa/weekly school

week- September 1

Subject-Economics

Grade-12

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1. What are the factors that determine the personal consumption expenditure other than the disposable income?
2. Which conditions ought to be satisfied for the equilibrium level of national income in an open economy? Identify the leakages of an open economy and explain why they are called leakages.
3. The following information outlines a closed economy that has a government sector.

Savings function (S) = $-1000 + 0.2Y_d$

Investment (I) = 200 million

Government expenditure (G) = 80 million

Taxes (T) = 100 million

- (a) Derive the consumption function and enumerate the consumption expenditure at the income level of Rs.5000 million.
 - (b) What is the equilibrium level of national income?
 - (c) What are the values of Average Propensity to Consume (APC) and Average Propensity to Savings (APS) at the equilibrium?
 - (d) Enumerate the value of the aggregate expenditure multiplier. What will be the equilibrium level of national income if the government spending increases by Rs.100 million.
4. Explain with income – expenditure graph the determination of the equilibrium level of national income at an output level situated to the left of the production possibilities frontier.