



Department of Education, Sabaragamuwa/weekly school

week- December 1

Subject-Economics

Grade-12

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1. Distinguish between induced consumption and autonomous consumption.
2. Consider the following macroeconomic data for an economy.

$$C = 60 + 0.8Y_D \quad I = 100 \quad G = 200 \quad T = 150 \quad Tr = 75$$

Y_D = Disposable National Income

C = Consumption

I = Investment

G = Government purchases

T = Taxes

Tr = Transfers

- (a) What is the savings function of this economy?
 - (b) When $Y_D = 500$, calculate the average propensity to consume and average propensity to save?
 - (c) What is the equilibrium level of National Income?
 - (d) What is the value of the investment multiplier?
3. Assume in a hypothetical economy that government purchases (G) are Rs.400 billion, taxes (T) are Rs.300 billion, private savings (S) are Rs.200 billion and private investment (I) is Rs.250 billion.

What is the value of net exports of this economy?