



Department of Education, Sabaragamuwa/weekly school

week- March 2

Subject-Economics

Grade-12

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1. Explain what is meant by 'injections' and 'leakages' from the circular flow of income and identify the leakages in the aggregate expenditure in an open economy with government activities.
2. What are the major components of Gross Fixed Capital Formation?
3. Explain how Gross Domestic Product (GDP) is calculated and show how GDP at market prices is different from Net National Income.
4. Why do we consider a business cycle expansion to be different from economic growth?
5. The following macroeconomic data of year 2016 are given for an economy.

(All figures are in Rs.billion)

| Item                                | Value |
|-------------------------------------|-------|
| Gross Investment (I)                | 200   |
| Taxes (T)                           | 550   |
| Exports (X)                         | 375   |
| Consumption expenditure ( C)        | 700   |
| Transfer payments (T <sub>R</sub> ) | 300   |
| Imports (M)                         | 325   |
| Government purchases (G)            | 300   |

- (a) Calculate the Gross Domestic Product of this economy.
- (b) What is the personal disposable income of this economy?