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Department of Education, Savar Education Sabaragamuva Province Subject-Economics	week- March 3 amuwaProvince/Weekly School Department of Education, SabaragamuwaProvince/Weekly School amuwaProvince/ Weekly School Department of Education, Sabaragamuwa Province/ Weekly School Department of Education, SabaragamuwaProvince/ Weekly School Department of Education	nent of amuwa School
Grade-12	Prepared by - Zonal Education Office,Rathnapura. Weekly School Depart / Weekly School Department of Education,Sabaragamuwa Province/ Weekly School Depart / Weekly School Department of Education,Sabaragamuwartovince We	tment of igamuwa y School tment of ivaragamuwa

- 1. Suppose an aggregate consumption function for a simple economy is given by C = 100+0.8Y, while investment is given by I=200.
  - (a) What is the equilibrium level of income in this economy?
  - (b) What is the level of saving at the equilibrium?
  - (c) If, for some reason, aggregate output were at the level of 1,700, what would the level of involuntary inventory accumulation be?
- 2. Explain why a Rs.500 million reduction in government purchases (G) will generate a larger fall in real GDP than a Rs.500 million tax (T) increase.
- 3. Assume that GDP (Y) is Rs.6000 million,personal disposable income is Rs.5100 million,government budget deficit is Rs.200 million,consumption expenditure is Rs.3800 million and trade deficit is Rs.100 million.
  - (a) What is the amount of savings (S)?
  - (b) What is the size of investment (I)?
  - (c) How much is government spending (G)?
- 4. "The equilibrium level of national income, is not necessarily equal to the full employment level of national income". Explain this statement.