



Department of Education, Sabaragamuwa/weekly school

week- March 3

Subject-Economics

Grade-12

Prepared by -
Zonal Education Office, Rathnapura.

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.