



INDIAN SCHOOL MUSCAT
SENIOR SECTION
DEPARTMENT OF COMMERCE AND HUMANITIES
CLASS XII
MACRO ECONOMICS
WORKSHEET – 7 INCOME DETERMINATION

VERY SHORT ANSWERS / OBJECTIVE TYPE (1 MARK)

1. Aggregate demand is the sum of _____ and investment
2. When the consumption expenditure is more than the income, the value of APS be _____
3. In case of excess demand, central bank should _____ the bank rate
4. In case of _____, central bank starts buying securities from commercial banks
5. If $MPC = 0$, the value of multiplier is
 - a. 0
 - b. Between 0 and 1
 - c. 1
 - d. Infinity
6. In a situation of 'Inflationary gap' at the full employment level of income :
 - a. $AD > AS$
 - b. $AD < AS$
 - c. $AD = AS$
 - d. None of these
7. Aggregate demand can be increased by :
 - a. Increasing bank rate
 - b. Selling bank securities by Reserve bank of india
 - c. Increasing cash reserve ratio
 - d. None of the above
8. At the break-even point:
 - a. $C > Y$
 - b. $C < Y$
 - c. $C = Y$
 - d. None of these
9. Out of the following which value can be greater than one?
 - a. APC
 - b. MPC
 - c. APS
 - d. MPS
10. According to which economist national income can be determined even below the full employment level :
 - a. Adam smith
 - b. J.M Keynes
 - c. J.B Say
 - d. None of these

SHORT ANSWER QUESTIONS (3/ 4 MARKS)

1. How much is the value of MPS in an economy when $MPS = 0.8$?
2. If the households save ₹ 500 crores out of a total income of ₹5,000 crores in an economy. Calculate MPC.
3. If the total income increases from ₹ 5,000 crore to ₹6,000 crore and consumption increase from ₹1,000 crore to ₹1,500, calculate MPC.
4. If MPS of an economy is 0.3 and the income increases from ₹6, 000 crores to ₹9, 000 crores, what will be the additional consumption in the economy?
5. If APC of an economy is 0.8, what shall be savings at the income level of ₹2, 000 crores?

6. Following is the hypothetical data regarding a household's consumption. Calculate APS, APC, MPC and MPS.

Disposable income (in ₹)	Consumption (in ₹)
4,000	4,600
5,000	5,300
6,000	6,000
7,000	6,700
8,000	7,400
9,000	8,100
10,000	8,800
11,000	9,500
12,000	10,200

7. If MPC is 0.75, calculate the value of multiplier.
8. In an economy MPC is 0.8 and investment increases by ₹1, 000 crores. Calculate the total increase in income.
9. If an increase of ₹10, 000 in investment results in an increase in income of ₹40, 000, calculate MPS in the economy.
10. Calculate the change in income when MPC =0.8 and change in investment is ₹1, 000 crores.
11. Write the relation between MPC and multiplier.
12. Distinguish APC and APS

LONG ANSWER QUESTIONS (6 MARKS)

13. Explain consumption function using numerical example and diagram.
14. Explain the steps to derive saving curve from consumption curve. Use diagram
15. A change in investment results in change in National Income. Elucidate.
16. How does an economy reach equilibrium? Use saving and Investment curve,
17. What are the changes take place in the economy when AD is not equal to AS.
18. Explain the role of monetary measures to correct deflationary gap.
19. What is excess demand? How fiscal measures help to correct this situation?
20. In an economy $C = 25 + 0.8 Y$ and Investment = 75 crore. Calculate
- Equilibrium National Income
 - Consumption at equilibrium income