

BAL BHARATI PUBLIC SCHOOL  
Ganga Ram Hospital Marg, New Delhi-60

CLASS –XII (MACRO) (UNIT VI)

SUBJECT -ECONOMICS

ASSIGNMENT- 18

TOPIC – Unit-8

**Long answer questions**

1. Define Aggregate Demand. Briefly explain its components.
2. Explain the terms : APC, MPC, APS, MPS.
3. Explain the relationship between a)APC & APS    b)MPC & MPS.
4. Define `Consumption function`. Explain the consumption function equation. Draw its curve & locate break -even point on it .
5. Define `Savings function`. Explain the Savings function equation.
6. Derive Savings curve from Consumption curve.
7. Show that short term equilibrium output is determined where a)AD=AS and b)S=I    Use diagrams.
8. Explain what happens when i)  $AD > AS$  ii)  $AD < AS$ .
9. Define Investment multiplier. Explain its working with a numerical example.
10. Explain the concept of inflationary gap with the help of a diagram. ( or Excess demand )
11. Explain the concept of deflationary gap with the help of a diagram. (or Deficient demand)
12. Explain any three fiscal policy tools that can be used to reduce excess demand.
13. Explain any three monetary policy tools that can be used to correct a deflationary gap situation.

**Short answer questions**

1. What is aggregate supply?
2. What do you mean by ex ante and ex post ? What is ex ante investment?
3. What is propensity to consume ?
4. What is propensity to save?

5. If APC is 0.7, how much is APS.
  6. Can the value of APS be negative? Explain.
  7. State True or False: i) MPC cannot be greater than one.  
ii) MPC can at most be equal to one .  
iii) Value of MPC varies from zero to one only.
  8. Value of APC can be greater than one. Explain.
  9. Which important factor influences propensity to consume in an economy ?
  10. What is Full Employment ?
  11. Distinguish between Involuntary and Voluntary unemployment.
  12. Explain autonomous investment and induced investment.
  13. What is 'underemployment equilibrium'?
  14. What can be the minimum and maximum value of multiplier and why ?
  15. How is investment related to mps and mpc.
  16. Define : Fiscal Policy , Monetary Policy
  17. What is the effect of increasing legal reserve ratio on AD ?
  18. Central bank purchases securities. How will it affect AD ?
  19. What is the effect of lowering bank rate on AD?
  20. Explain the application of Moral suasion and Margin requirement as tools of credit control.
  21. As a result of increase in investment by Rs200 Cr, total national income rises by Rs 2000Cr. Find out value of MPC and MPS.
  22. In an economy investment is increased by Rs 2000 Cr. Calculate change in total income if MPS is 0.25.
  23. In an economy  $C=500+0.9Y$  and  $I=1000$ . Calculate
    - i)Equilibrium level of income
    - ii)Consumption expenditure at equilibrium level of income.
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