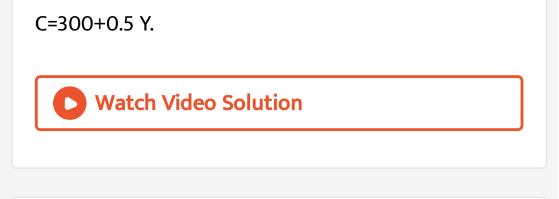# ECONOMICS

BOOKS - GEETA PUBLISHING HOUSE ECONOMICS (HINGLISH)

DETERMINATION OF INCOME AND EMPLOYMENT

Numerical

1. Calculate consumption level for the equation Y=

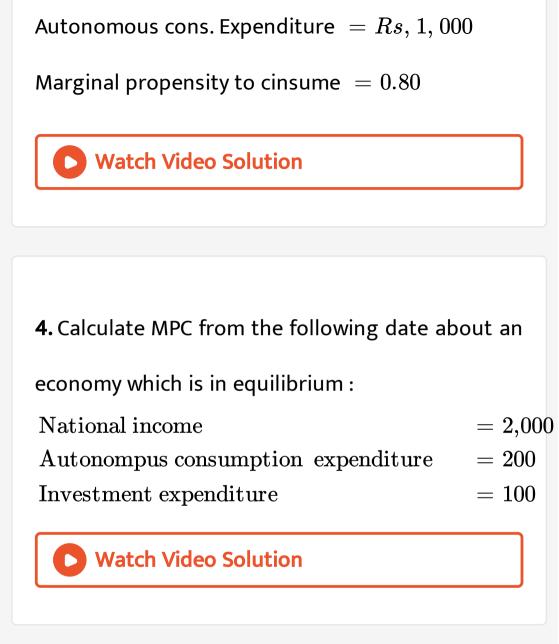Rs. 1,000 crore if consumption function is

C=300+0.5 Y.

2. Find out income level when consumption $= Rs.1200$ crore and consumption function is C=100+0.5Y.

3. find consumption experditure from the following :

National income $= Rs.\, 5,000$

Autonomous cons. Expenditure $= Rs, 1,000$

Marginal propensity to cinsume $= 0.80$

4. Calculate MPC from the following date about an economy which is in equilibrium :

National income $= 2,000$
Autonompus consumption expenditure $= 200$
Investment expenditure $= 100$

5. Calculate autonomous consumption expenditure from the following about an economy which is in equilibrium :

National income $= 500$, $MPs = 0.30$,

Investment expenditure = 100

6. Calculate investment experdilture from the following date about an economy which is in equilibrium :

National income (Y) = 700 ,Autonomous cons.

expendilture =70,MPC=0.8

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7. An economy is in equilibrium Calculate

inverstment experditure from the following :

National income `=800,MPS=0.3 ,Autonomous

cons.=100

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Example

1. if disposable income is Rs. 1,000 and consumption expenditure is Rs. 750 , find out APS.

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2. in na economy consumption function is given as C=100+ 0.5 Y. with the help of a numerical example , show that as income increase ,APC will decrease.

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3. find consumption expenditure from the following :

National income =Rs. 5,000

Autonomous consumption = Rs, 1,000

MPC = 0.80

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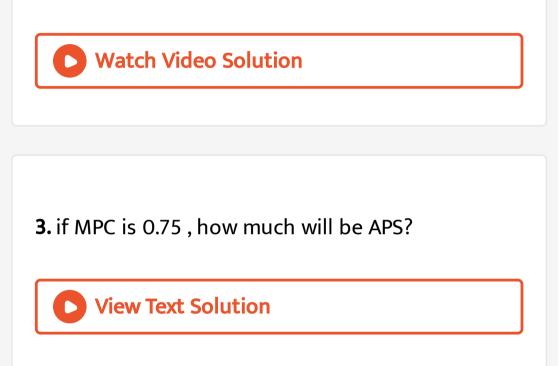
Question

1. if APS 0.6, how much will ne APC?

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2. if APC is 0.7 , how much will be APS ?

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3. if MPC is 0.75 , how much will be APS?

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4. if APC is 0.75 , how much will be APS ?

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5. if MPS =1, how much will be MPC?

6. complete the following table

Level of income (₹)	Consumption expenditure (₹)	MPC	MPS
400	240	—	—
500	320	—	—
600	395	—	—
700	465	—	—

7. complete the following table

Income (₹)	Consumption expenditure (₹)	MPC	MPS
1,000	900	—	—
1,200	1,060	—	—
1,400	1,210	—	—
1,600	1,350	—	—

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8. complete the following table

Income (₹)	Consumption expenditure (₹)	Marginal Propensity to Save (MPS)	Average Propensity to Save (APS)
2,000	1,900	—	—
3,000	2,700	—	—
4,000	3,400	—	—
5,000	4,000	—	—

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9. complete the following table

Income	Saving	MPC	APS
0	-12		
20	-6	—	—
40	0	—	—
60	6	—	—

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10. complete the following table

Income	MPC	Saving	APS
0	—	- 90	
100	0.6	—	—
200	0.6	—	—
300	0.6	—	—

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11. in an economy the ratio of APC and APS is $5:3$. The level of income is Rs. 6,000 hpow much are saving ? Calculate .

12. Given that mational income is Rs. 80 crore and consumption expenditure is Rs. 64 crore find out average propensity to save (Aps) . When income rises to Rs. 100 crore and consumption expenditure to Rs. 78 crore , what will be APC and MPC?

13. complete the following table

Income (₹)	Consumption expenditure (₹)	MPS $\left(\frac{\Delta S}{\Delta Y}\right)$	APS $\left(\frac{S}{Y}\right)$
0	80	—	—
100	140	0.4	—
200	—	—	0
—	240	—	0.20
—	260	0.8	0.35

14. If MPC is 0.5 calculate value of investment multiplier .

1. in a two sector economy , the consmption function and invertment function are : C=60+0.8Y and I=60. calculate :

(i) Equilibrium level of income ,

(ii) consumption at equilibrium level and

(iii) saving ata equilibrium level .

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2. the saving function of an economy is S=-200 +0.25 Y the economy is in equilibrium when

income is equal to 2,000 ,Calculate :

(a) Investment expendditure at equilibrium level of

income .

Autonomous consumption .

3. in an economy C= 300+0.8Y and T=500 (where

C= consumption ,Y income ,I= income ,I =

investment). Calculate the following j :

(i) Equilibrium level if income ,

(ii) consumption expenditure at equilibrium level .

4. the break even level of income for an economy is Rs. 20,000 crore , If economy saves 40% of Additional income , what will be the value of autonomous consumption $(\overline{C})$?

5. Given consumption function C=100+0.75 Y ` (where ,C= consumption expenditure and Y=National income) and investment expenditure Rs. 1,000 calculate the following :

(i) Equilibrium level of national income ,

(ii) consumption expenditure at equilibrium level of national income .

6. in an economy S= -50+0.5 Y is the saving function (where ,S=saving and Y =National income) and investment expenditure is Rs. 7,000 calculate the following :

(i) Equilibrium level of national income ,

(ii) consumption expenditure at equilibrium level of national income .

7. from the following information about an economy , calculate (i) its equilibrium level of national income and (ii) its savings at equilibrium level of national income and (ii) saving at equilibrium level of national income , consumption function $C = 200 + 0.9Y$ (where C= consumption experendilture and Y= national income). investment expenditure I=3,000 .

8. The saving function of an economy is $S = -200 + 0.25Y$. The economy is in equilibrium when income is equal to 2,000. Calculate: (a) Investment expenditure at equilibrium level of income , (b) Autonomous consumption , (c) Investment multiplier.

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9. C=100+0.4Y is the consumption function of an economy where C is Consumption Expenditure and Y is National Income. Investment expenditure is

1,100 Calculate(i) Equilibrium level of National Income, (ii) Consumption expenditure at equilibrium level of national income.

10. From the data given below about an economy, calculate (a) investment expenditure, and (b) Consumtion expenditure

(i) Equilibrium level to income -5000

(ii) Autonomous consumption -500

Marginal propensity to consume-0.4

11. Calculate equilibrium lebvel of income from the following :

(i) consumption expenditute at zero income Rs. 40

(ii) MPC 0.8

(iii) ionvestment Rs. 80.

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12. Calculate investment expenditure from the following data about an economy which is in equilibrium

National income=1000

Marginal propensity tosave=0.25

Autonomous consumption expenditure=200

13. Calculate marginal propensity to consume (MPC) from the following data about an economy which is in equilibrium :

National income 2,000

Autonomous consumption expendituure 200

Investment expenditure 100

14. In an economy the autonomous investment is 100 and the consumption is C=80+0.4Y. Is the economy in equilibrium at an income level 400? Justify your answer.

15. An economy is in equilibrium . Calculate national income from the following :

autonomous consumption = 100

Marginal propensity to save =0.2

Investment expenditure = 200

16. If an economy , Saving Function is given by S $= (-)50 + 0.2Y$ and $Y = Rs.\ 2,000$crores, consumption expenditure for the economy would be Rs. 1,650 crores and the autonomous investment is Rs. 50 crores and the marginal propensity to consume is 0.8 True or False ? Justify your answer with proper calculattions.

17. in an economy , actual level of income IS Rs. 500 crore whereas the full employment level of income is Rs. 800 crore . The MPC is 0.75 Calculate the increase in investment required to achieve full employment level of income .

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18. in an economy ,MPC is 0.75 if investment expenditure is increased by Rs. 500 Crore , calculate total increase in income and consumption experditure .

19. in an economy , investment expenditure is increaed by Rs. 700 croce and MPC is 0.9 calculate total increase in income and consumption expenditure .

20. if MPC is 0.9 and increase in investment is Rs. 100 crore , find out increase in national income

21. AS a result of increase in investment by Rs. 20 crore , national income increase by Rs. 100 crore , find out MPC.

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22. in an economy investment increase by RS. 120 crore the value of multiplier is 4. Calculate MPC .

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23. in an economy marginal propensity to save is 0.2 investment increase by Rs. 1,000 crore , calculate total increase in national income .

24. An increase of Rs. 250 crore in investment in an economy resulted in total increase in income of Rs. 1,000 crore . Calculate the following :

(a) Marginal propensity to consume (MPC) ,(b) change in saving , (C) change in consumption expenditure , (d) Value of multiplier .

25. in an economy an increase in investment leads to an increase in national income three times more than increase in investment , calculate MPC.

26. in an economy every time income rises ,75% of increase in income is spent on consumption , now suppose in the same economy , investment rises by Rs. 750 Crore , Calculate the following : (i) change in income ,(ii) change in saving .

27. there is an increasae in investment of Rs. 100 crore in an economy , mnarginal propensity to cosume is 1. what can you say about increase in income ?

28. in an economy 75% is increase in income is spent in consumption , investement is increased by Rs. 1,000 crore . Calculate :(a) Total increase in

income (b) total increase in consumption expenditure .

29. in an economy equilibrium level of income is Rs. 12,000 crore , the ratio of MPC t MPS is 3:1 Calculate the additional investment needed to reach a new equilibrium level of income of RS. 20,000 crore .

30. in an economy investment is increased by Rs. 2,000 crore ,Calculate the change in total income if MPS is 0.25.

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31. in an economy , marginal propensity to consume is 0.75 Investment expendilture in the economy increase by Rs. 75 crore .calculate total incrase in national income .

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32. in an economy ,a 20% increase in investment results in 100% increase in income . Calculate the marginal propensity to consume (MPC).

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33. in an economy investment is increased by Rs. 300 crore .If MPC is 2/3 , calculate increase in national income .

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True False Questions

1. when MPC gt MPS , the value of multiplier (K) will be greater than MPS. True or false ?

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2. value of investment multiplier (K) varies between zero and onfinfy true or false ?

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3. when MPC is zero , value of K wll also be zero true or false ?

Typology Of Questions

1. If APC of an Economy is 0.6 , saving at the income level of Rs. 1,000 crore will be

    A. 100 Rs. Crore

    B. Rs.300 crore

    C. Rs.400 crore

    D. Rs.600 crore

Answer:

2. MPC being equal to 0.4 , what will be ΔC if incomes in increased by Rs. 100?

A. Rs.60

B. Rs.50

C. Rs.40

D. Rs.70

Answer:

3. if MPC =1, the value of multiplier is _____:

A. 0

B. 1

C. Between 0 and 1

D. infinity

Answer:

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True Or False Questions With Answers

1. the value of APS can never be greater than 1.

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2. sum of APC and MPC is always equal to 1.

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3. when MPCgt MPS , the value of investment multiplier (K) will be grater than 5.

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4. sum of MPS and MPC is Equal to 1.

5. Value of APS and MPC can never be less than zero .

6. Value if investment multiplier (K) vearies between zero and infinity .

7. Saving and investment multiplier are always equal .

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8. there is inverse relationship between MPS and investment multiplier .

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9. An economy is only in equilibrium where there is full employment .

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10. infiationary gap is measured by deficient demand .

> ▶ **View Text Solution**

11. Infiation and deflation are both but inflation is worse .

12. Reporate of interest is paid by commerical bank and reverse reopo is paid by RBI.

13. in Keyesian model , short period equilibruium is discussed with reference to constant (fixed) price level .

14. Ex- post investment is greater than ex- ante investment .

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15. Deflationary gap can be corrected by increasing the level of AD.

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16. Underemployment equilibrium indicates excess supply in the economy

17. break - even point is struck when saving is equal

to zero .

18. consumption (C) is positively related to income

(Y) but C in not zero when Y is also .

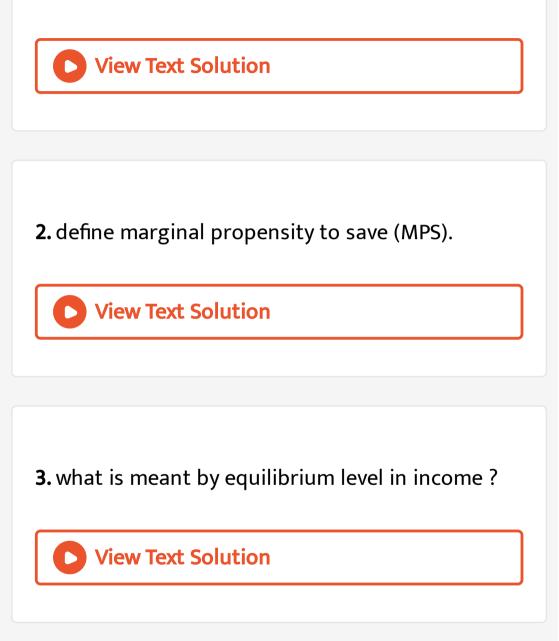**19.** Autonomus increase in investment produces autonomous increase in income .

▶ **View Text Solution**

20. Equilibrium beyond the level of full employment does not cause a rise in level of output .

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Remembering And Understanding Based Questions

1. define marginal propensity to consume (MPC).

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2. define marginal propensity to save (MPS).

▶ View Text Solution

3. what is meant by equilibrium level in income ?
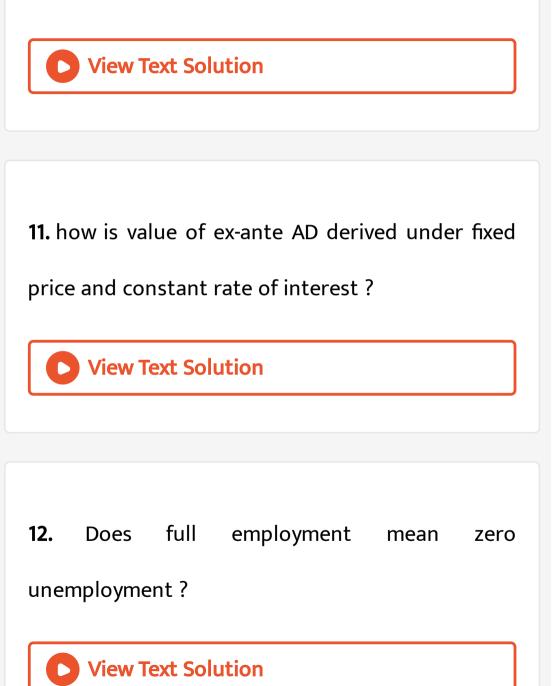
▶ View Text Solution

4. what is autonomous investment ?

▶ View Text Solution

5. what induced Iinvestment ?

▶ View Text Solution

6. what is deficient demand ?

▶ View Text Solution

7. what is investment multiplier

▶ View Text Solution

8. Give a formula of investment multiplier (k).

▶ View Text Solution

9. what is excess demand ?

▶ View Text Solution

10. what is deficient demand ?

▶ **View Text Solution**

11. how is value of ex-ante AD derived under fixed

price and constant rate of interest ?

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12. Does full employment mean zero

unemployment ?

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13. what is equilibrium output ?

▶ View Text Solution

14. what is meant by voluntary unemployment ?

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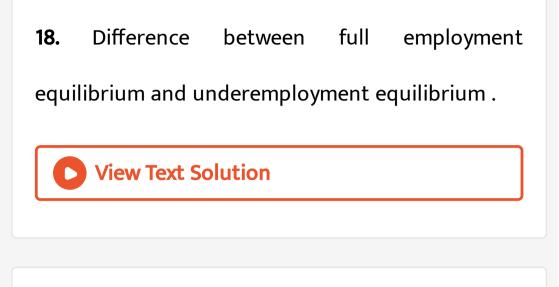**15.** Give meaning of involuntary unemployment .

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16. if planned saving are greater than planned investment , what will be its effect our inventories ?

17. give menings of (i) Ex- ante saving ,(ii) ex-ante investment ,(iii) ex- ante consumption and (ic) Ex- ante aggregate demand .

18. Difference between full employment equilibrium and underemployment equilibrium .

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19. List the components of arrregate demand (AD).

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20. what is the relationship between MPC and MPS? Explain ?

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21. what happens when aggregate demand increase beyond the level of its full employment ?

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22. how does the introduction of government sector affect the economy ?

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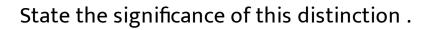**23.** what happens to the demand for credit in the economy when repo rate is increased ?

  ▶ **View Text Solution**

24. Between excess demand and deficient demand which is better and why ?

  ▶ **View Text Solution**

25. What is the defference between voluntary unemployment and involuntary unemployment ?

State the significance of this distinction .

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26. Does quilibrium level of income and output always indicate state of full employment in the economy ? Explain .

> ► View Text Solution

27. can consumption exceed income ? If yes , what is saving then?

> ► View Text Solution

28. in an economy planced saving is greater than planned investment . Explain how the economy achieves equilibrium level of national income .

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29. will consumption function curve be a straight line (i.e., linear) in case MPC is constant ? Justify your answer with reasons .

 ▶ View Text Solution

30. explain the minimum and maximum value of muliplier (K).

▶ View Text Solution

31. can MPS or MPS ever be nagative ? Give reason in supprt of your answer .

▶ View Text Solution

32. what changes in the economy will take place to reach the level of equilibrium if AD exceeds AS

when (i) economy has not reached the full employment level and (ii) economy has reached the full employment level.

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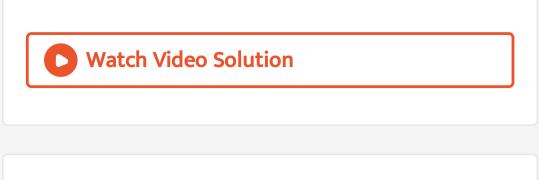**33.** How is equilibrium level of ourtput determined short run fixed price ?

▶ **View Text Solution**

34. given the consumption function of an economy C= Rs. 100 crore +0.75 Y, calculate (i) break - even

point an (ii) value of multiplier (K) .

35. complete the following table

Income	APC	Saving	MPC
0	----	– 80	---
100	1.6	------	----
200	1	------	----
300	0.8	------	----

36. as a result of increase in investment by 1000 crores , national income increases by $Rs. 5000$ crore , find out value of multilpier ,MPC and MPS.

37. in an economy C= 100+0.7 Y, I= 500 (where ,C= consumption ,Y=income and I= investment). Calculate (i) Equilibrium level of income (ii) consumption expenditure at equilibrium level of income .

Evaluation Based Questions With Answers

1. if income of a consumer rises by Rs. 50,000 , what will be its impact on his consumption expenditure ? Comment on his response .

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2. if higher level of income leads to increase in expenditure and AD which in turn leads to higher level of output , why can't government print more currency notes to achieve higher level of AD and GDP ?

> ▶ View Text Solution

3. why is consumption expenditure of involuntaroly unemployed not zero at zero level of income ?

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4. An excess of aggregate demand over aggregate supply always implies a situation of inflatonary gap . Your comments?

▶ View Text Solution

5. why should people save causes a leakage from circular flow of income thereby shrinking GDP?

▶ View Text Solution

6. Reserve bank of india has reduced CRR from 4.25% to 4 % will this help in controlling inflaton in india ?

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7. Recently there has been a drastic fall in price of crude oil in the international market . How far it

will adversely affect india 's export of goods and servies? What value is violated if the ovt. Does not reduce the price of crude oil in the contry?

8. Although propensity to consume is fairly high in india yet manufacturing sector india shows a low rate of growth due to low demand , why is it so ?

9. How controlling money if helpful in reducing excess demand ?

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Short Answer Questions Of 3 4 Marks Each

1. AN economy is in equilibrium , calculate national from the following :

Autonomous consumption =100, Marginal propensity to save = 0.2,

Investment expenditure = 200

2. AN ecoomy is is equilibrium . Calculate . Calculate investment expenditure from the following :

National income = 800, MPS = 0.3 , Autonomous consumption = 100

Long Answer Question Of 6 Marks Each

1. Explain steps taken in derivation curve from saving curve from use diagam .

2. Given consumption curve , derive saving curve and state the steps taken in the process of derivation use diagram.

3. Given saving curve , derive consumption curve and state the step in doing so. Use diagram .