

SUVA SANGAM COLLEGE

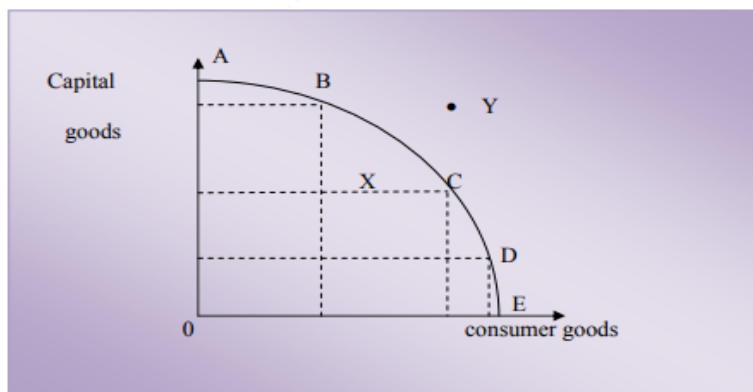
YEAR 12

ECONOMICS

WORKSHEET 3

Question 1 (Based on sub strand – Economic Problem and the Production Possibility Curve)

Use the graph below and answer the questions that follow:



a) What does Point X in the represent?

Point Y and figure

b) Explain how outside the PPC can be achieved?

the point

c) Explain the law of increasing opportunity cost?

d) Explain the law of constant cost?

Question 2 (Based on sub strand – Elasticity)

1. Complete the table given below.

Elasticity	Positive	Negative
Income elasticity of demand		Inferior
	Substitute	

2. Calculate and interpret the cross elasticity of demand when the quantity of good C fell from 130 units to 115 units as a result of a fall in price of good D from \$16 to \$12.

Question 3 (Based on sub strand – National Income Approaches)

Use the information given below on the national accounts of a hypothetical economy and your knowledge to answer questions (i) - (iv).

	F\$ Millions
Gross fixed capital formation	30
Gross operating surplus	32
Net exports	-2
Net indirect taxes	26
Physical increase in stock	3
Private consumption expenditure	45
Government consumption expenditure	6
Consumption of fixed capital	12
Statistical discrepancy	22
Compensation to employees	46

- (i) State the formula to calculate GDP using income approach.
- (ii) Calculate GDP using income approach
- (iii) Explain why statistical discrepancy is included in the calculation of GDP in national accounts
- (iv) Give another term for gross fixed capital formation