

SUVA SANGAM COLLEGE

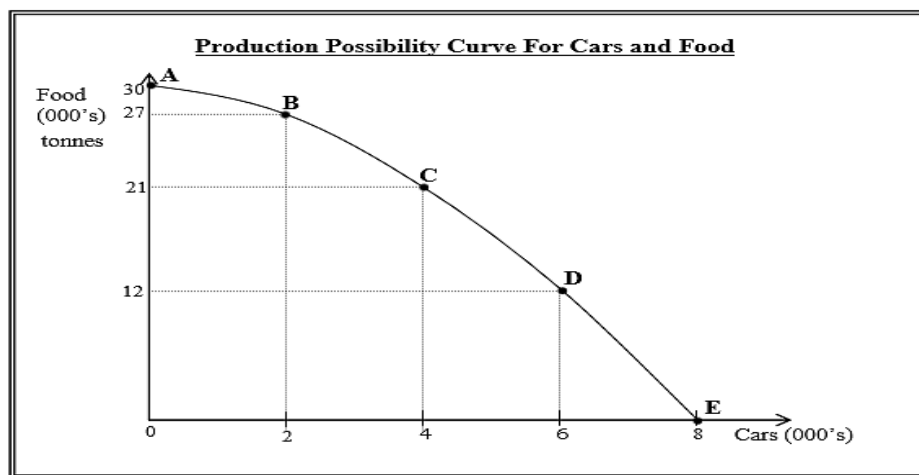
YEAR 12

ECONOMICS

WORKSHEET 6

Question 1 (Based on sub strand –PPC)

Use the diagram given below to answer part i-iv.



- (i) Explain the significance of the points that lie on the curve.
- (ii) If the economy is currently producing at point C and decides to move to point B, what is the opportunity cost of producing each additional ton of food? (show full working)
- (iii) If the economy is currently producing at point D, what is the opportunity cost of producing 9000 tonnes more food? (show full working)
- (iv) Calculate and interpret the MRT when the economy decides to move from point B to point D. Show full working.

Question 2 (Based on sub strand –Money and Banking)

1. Read the resource below and answer questions (i) and (ii).

The central bank measures the money supply using three monetary aggregates: M1, M2, and M3.

- (i) Define M3 as a measure of money supply.
- (ii) Identify the narrowest form of money supply above.

2. Use the table given below on monetary aggregates and your own knowledge to answer the question that follows.

| Money aggregate | \$m |
|--|--------|
| Term deposits | 96000 |
| Notes and coins held by the public | 11 623 |
| Accounts operable by EFTPOS | 22 600 |
| Travellers cheques | 12 000 |
| Transaction accounts operable by cheques | 25 100 |
| Investment accounts | 28500 |

Calculate the value of M3

Question 3 (Based on strand – Government Budget)

Based on the question given below, write an essay of 180 – 200 words to answer the question. The national budget is seen as the primary instrument for the government's involvement in the economy.

Evaluate the above statement with reference to:

- The definition of national budget and any 2 components of it.
- The condition that gives rise to a deficit national budget and any two reasons why a deficit national budget is good for a macro economy.
- The relationship that exist between a deficit national budget and the money supply.