

SUVA SANGAM COLLEGE

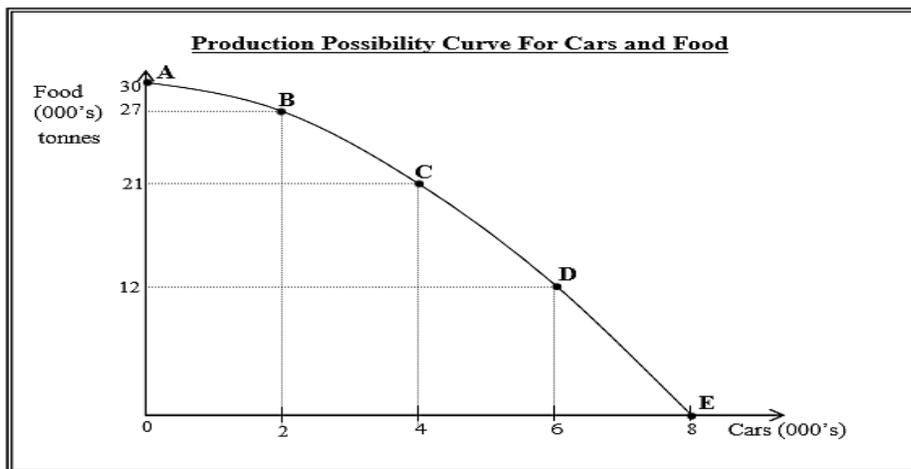
YEAR 12

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.