

Suva Sangam College

Year 13

Economics

Worksheet 10

Question 1

In accounting for National Income, consumption of fixed capital is known as

- A. assets displacement.
- B. imputed costs.
- C. depreciation.
- D. appreciation

Question 2

Use the information given below and your knowledge to answer questions (i) and (ii).

Note: All values are in \$million.

$Y = C + I + G + X - M$ $C = 25 + 0.9 Y$ $I = 40$ $G = 80$ $X = 50$ $M = 0.75 Y$
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- i. Calculate the following :
 - a) the value of equilibrium level of income.
 - b) the value of marginal propensity to consume.
 - c) the value of marginal propensity to import.
- ii. Suppose the government spending reduces by \$20 million; comment on its effect on the equilibrium level of income.

Question 3

- i. Differentiate between an Expansionary Fiscal Policy and a Contractionary Fiscal Policy.
- ii. Explain how monetary policy could be used to close an inflationary gap.