

**PENANG SANGAM HIGH SCHOOL  
P.O.BOX 44, RAKIRAKI**

**LESSON NOTES**

**Subject:** Economics

**Year/Level:** 13

**Week 16**

<b>Strand</b>	3	Macroeconomics
<b>Sub Strand</b>	3.2	Income and Expenditure analysis
<b>Content Learning Outcome</b>	Analyse the income and Expenditure analysis	

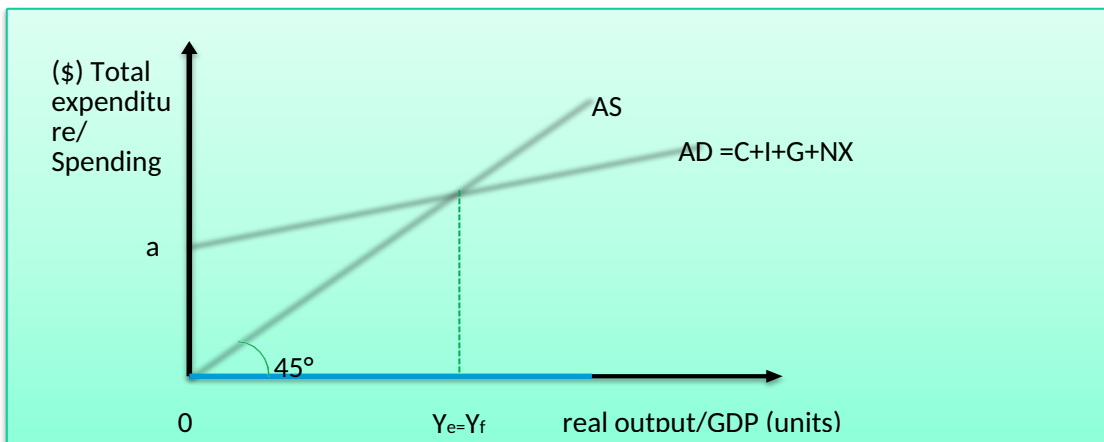
Greetings to all...

We will continue with the Income & Expenditure Analysis.

**Lesson Notes** ( Copy in your note book)

Income & Expenditure and Multiplier Analysis

Graphical illustration: **Income & Expenditure Model ( Keynesian Model)**



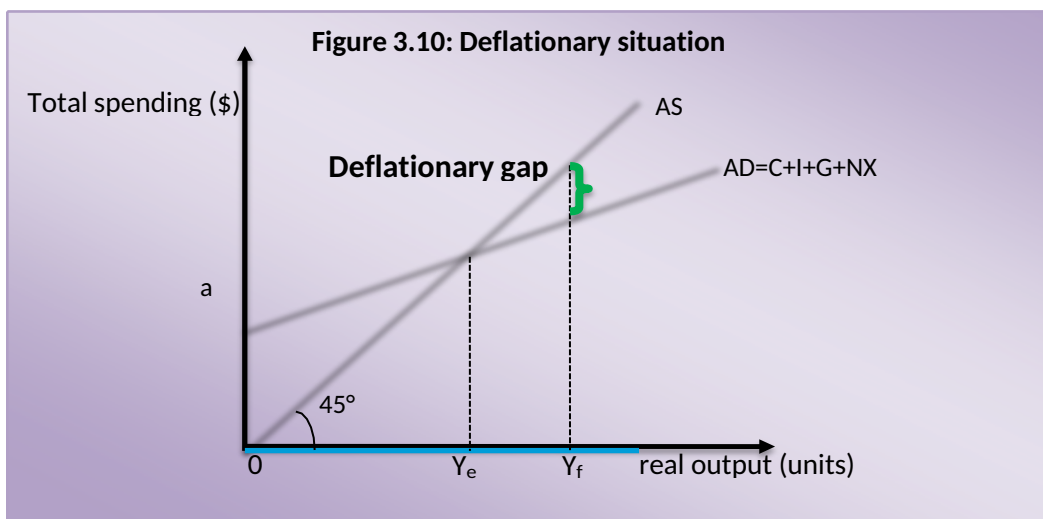
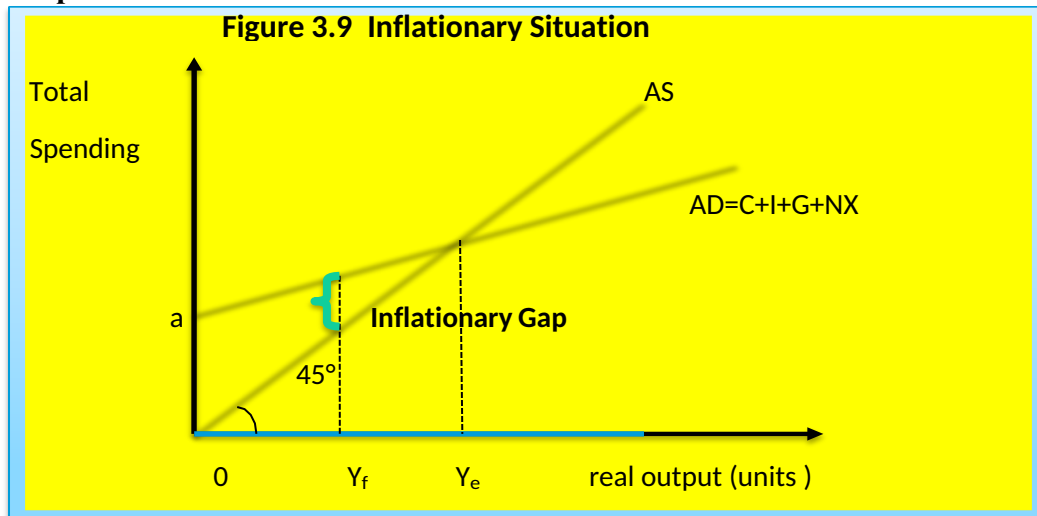
**The Equilibrium level of Income and Expenditure Model is where  $AS = AD$ . ( $Y_e = Y_f$ )**  
Where;  $Y_e$  represents equilibrium level of output, income and employment  
And  $Y_f$  represents Full employment level.

**Disequilibrium: If  $Y_e > Y_f$  ( $AD > AS$ ) or if  $Y_e < Y_f$  ( $AD < AS$ ) / ( $AS > AD$ )**

**Types of 'Gap-Created'**

Inflationary Gap	Deflationary Gap / Recessionary
<ul style="list-style-type: none"> <li>➤ <math>AD &gt; AS</math></li> <li>➤ Full potential GDP (<math>Y_f</math>) falls short of equilibrium or actual GDP (<math>Y_e</math>) i.e <math>Y_e &gt; Y_f</math></li> </ul>	<ul style="list-style-type: none"> <li>➤ <math>AD &lt; AS</math> or <math>AS &gt; AD</math></li> <li>➤ Full potential GDP (<math>Y_f</math>) lies beyond the actual GDP (<math>Y_e</math>) i.e. <math>Y_f &gt; Y_e</math></li> <li>➤ AD falls short of AS at full employment level of income and output.</li> </ul>

**Graphical Illustrations:**



Analyse the graphical difference between the 2 types of Gaps Created..... Stay Safe