

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

LESSON NOTES

Subject: Economics

Year/Level: 12

Week 20

Strand	3	Macroeconomics
Sub Strand	3.1.4	Money Supply
Content Learning Outcome	Value money as the medium of exchange.	

Greetings to all...

In the last lessons we looked at Money market and Quantity theory of money.

Now we will look at with some activities on this sub-strand.

Homework (Copy and solve activities in your activity book)

1. Explain one effect of government budget surplus on the economy?
2. Which institution in Fiji controls the Money Supply?
3. State one factor affecting Money Demand?
4. Explain how the money supply could be expanded in an economy in which all money is in the form of currency?
5. Describe the changes in velocity of money when there is a Boom in an economy?
6. State one way Fiji Government can finance budget deficit?

7. Use the information given below and your knowledge to answer the questions.

Money Aggregates	\$M
Term deposits	85
Notes & coins held by public	10
Accounts operable by EFTPOS	22
Traveller's cheques	12
Transaction accounts operable by cheques	25
Investment accounts	30

Calculate: M1 and M3.

8. Assume an economy has Nominal GDP of \$600m, Price of \$5 and Money Supply of \$100m. Calculate the Velocity of Circulation component of Fisher's Equation.

Attempt the questions with the use of the lesson notes and discussions.

Stay safe.....