Worksheet: Determination of Income and Employment (Aggregate Demand & Supply)

CBSE · Class 12 · Economics · 3 questions · 13 marks

Name: ______________________________ Date: _______________ Score: ______ / 13

Q1. In an economy, MPC = 0.6. (i) What is the MPS? (ii) Calculate the investment multiplier. (iii) If investment increases by ₹500 crore, by how much will national income increase? *[3 marks]*

Q2. In a two-sector economy, the consumption function is C = 200 + 0.8Y. Investment (I) = ₹500 crore. Find the equilibrium level of income. *[4 marks]*

Q3. What is the Paradox of Thrift? Explain it with reference to the multiplier. What are its implications for government policy during a recession? *[6 marks]*