

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

Karnataka State Board · 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]

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**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]

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**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]

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