Chapter 7: Aggregated Demand & Related Concepts

Question 1

Calculate APC and APS from the following schedule

Income (Y)	100	200	300
Consumption (C)	80	120	180

Solution:

Income (Y) ₹	**Consumption (C) ₹**	**Savings (S) ₹**	**APC** **C/Y= APC**	**APS** **S/Y= APS**
100	80	20	80/100 = 0.80	20/100 = 0.20
200	120	80	120/200 = 0.60	80/200 = 0.40
300	180	120	180/300 = 0.60	120/300 = 0.40

Question 2

If APS is 0.6, how much will be the APC?

Ans: APC= 1 – APS

= 1 – 0.6

= 0.4

Question 3

If MPC is 0.75, how much will be the MPS?

Ans: MPS=1 – MPC

= 1 – 0.75

= 0.25

Question 4

If the saving function is S = 1 20 + 0.3Y, then what will be the value of MPC?

Ans: 0.3 indicates that MPS = 0.3.

So, MPC = 1 – MPS

= 1- 0.3

= 0.70

Question 5

What are the two kinds of propensities to save?

Ans: The two kinds of propensities to save are.

- Average propensity to save (APS)
- Marginal propensity to save (MPS)

Question 6

Mention the two components of aggregate supply.

Ans: The two components of aggregate supply are.

- Consumption
- Supply