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Introductory Macroeconomics

21. The consumption function of an economy is given as: $C = 40 + 0.7Y$. Calculate the saving at the income level of ₹ 2,200 crores
- (Saving = ₹ 620 crores)
22. The saving curve makes an intercept of ₹ 40 crores on the negative Y-axis. If consumers spend 60% of additional income, then determine: (i) Saving Function; (ii) Consumption Function; (iii) Break-even level of income.
- (i) $S = -40 + 0.40Y$; (ii) $C = 40 + 0.60Y$; (iii) ₹ 100 crores
23. If national income is ₹ 90 crore and Consumption expenditure ₹ 81 crore, find out average propensity to save. When income rises to ₹ 100 crore and consumption expenditure to ₹ 88 crore. What will be the marginal propensity to consume and marginal propensity to save? [CBSE, Delhi 2011 (III)]
- (0.10; 0.70; 0.30)
24. The saving function is given as: $S = -120 + 0.5Y$. Draw a diagram showing saving corresponding to income levels of 0, 200, 400, 600 and 800.
25. If Consumption Function is given by: $C = 30 + 0.4Y$, then determine: (i) Savings at zero level of income; (ii) MPC; (iii) MPS; (iv) Break-even level of Income; (v) Saving Function.
- (i) - 30; (ii) 0.4; (iii) 0.6; (iv) 50; (v) $S = -30 + 0.6Y$

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7. From the following schedule, compute APC, APS, MPC and MPS:

	200	250	300	350	400
Income					
Saving	—	5	15	20	50

[APC: 1, 0.98, 0.95, 0.943, 0.875; APS: 0, 0.02, 0.05, 0.057, 0.125;
MPC: —, 0.90, 0.80, 0.90, 0.40; MPS: —, 0.10, 0.20, 0.10, 0.60]

[CBSE, All India 2009 (II)]

8. Complete the following table:

Income	Consumption	Marginal Propensity to Save	Average Propensity to Consume
0	15	—	—
50	50	—	—
100	85	—	—
150	120	—	—

[Marginal Propensity to save: —, 0.30, 0.30, 0.30; Average Propensity to Consume: —, 1.00, 0.85, 0.80]

[CBSE, All India 2009 (III)]

9. Complete the following table:

Income	Marginal Propensity to Consume	Saving	Average Propensity to Consume
0		-30	—
100	0.75	—	—
200	0.75	—	—
300	0.75	—	—

[Saving: -30, -5, 20, 45; Average Propensity to Consume = —, 1.05, 0.90, 0.85]

[CBSE, Sample Paper 2012]

10. Complete the following table:

Income	Saving	Marginal Propensity to Consume	Average Propensity to Consume
0	-20	—	—
50	-10	—	—
100	0	—	—
150	30	—	—
200	60	—	—

[Marginal Propensity to Consume: —, 0.80, 0.80, 0.40, 0.40; Average Propensity to Consume: —, 1.20, 1, 0.80, 0.70]

[CBSE, Delhi 2013 (I)]

11. Complete the following table:

Income	Consumption Expenditure	Marginal Propensity to Save	Average Propensity to Save
0	80		—
100	140	0.4	0
200	—	—	0.20
—	240	—	0.35
—	260	0.8	

[Income: 0, 100, 200, 300, 400; Consumption Expenditure: 80, 140, 200, 240, 260;
Marginal Propensity to Save: —, 0.4, 0.4, 0.6, 0.8; Average Propensity to Save: —, -0.4, 0, 0.20, 0.35]

12. Complete the following table:

(CBSE, Delhi 2013 (II))

Income (₹)	Saving (₹)	Average propensity to consume	Marginal propensity to consume
0	-40
50	-20
100	0	0.6
150	30	0.8
200	50

(Average propensity to consume: —, 1.4, 1, 0.8, 0.75; Marginal propensity to consume: —, 0.6, 0.6, 0.4, 0.6)

13. Complete the following table:

(CBSE, Delhi 2013 (III))

Consumption Expenditure (₹)	Saving (₹)	Income (₹)	Marginal propensity to consume
100	50	150	—
175	75	—	—
250	100	—	—
325	125	—	—

(Income: 150, 250, 350, 450; Marginal propensity to consume: —, 0.75, 0.75, 0.75)

14. If National income is ₹ 50 crore and Saving ₹ 5 crore, find out average propensity to consume. When income rises to ₹ 60 crore and saving to ₹ 9 crore, what will be the average propensity to consume and the marginal propensity to save?

(CBSE, Delhi 2011 (II))

(0.90; 0.85; 0.40)

15. Using the consumption function: $C = \bar{c} + b(Y)$, calculate saving at income of ₹ 2,000 crores, if autonomous consumption is ₹ 150 crores and 40% of additional income is consumed.

(Saving = ₹ 1,050 crores)

16. The saving function is given as: $S = -120 + 0.4(Y)$. Determine: (i) Consumption function; (ii) Consumption at income level of ₹ 600 crores; (iii) Break-even level of income.

((i) $C = 120 + 0.60(Y)$; (ii) ₹ 480 crores; (iii) ₹ 300 crores)

17. The consumption function for an economy is given as: $C = 200 + 0.8Y$. (i) Determine the value of MPC and MPS; (ii) Autonomous Consumption; (iii) Derive the corresponding saving function; (iv) Calculate consumption at the income levels of ₹ 3,000 crores and ₹ 5,000 crores. (v) Determine the break-even level of income.

((i) $MPC = 0.8$; $MPS = 0.2$; (ii) Autonomous Consumption = ₹ 200 crores (iii) $S = -200 + 0.20Y$; (iv) ₹ 2,600 crores and ₹ 4,200 crores; (v) ₹ 1,000 crores)

18. If MPC is four times MPS and consumption at zero level of income is ₹ 70 crores, derive the consumption function.

($C = 70 + 0.80Y$)

19. The consumption curve makes an intercept of ₹ 60 crores on the Y-axis. If MPC:MPS can be expressed as 1:3, then derive the saving and consumption function. Also determine the level of income, when saving becomes zero?

(Saving Function: $S = -60 + 0.75(Y)$; Consumption Function: $C = 60 + 0.25(Y)$; Saving will become zero at income of ₹ 80 crores)

20. The break-even point for an economy occurs at the income level of ₹ 500 crores. If marginal propensity to consume is 0.6, determine: (i) Autonomous consumption; (ii) Saving function; (iii) Level of income when saving is ₹ 600 crores.

((i) ₹ 200 crores; (ii) $-200 + 0.4(Y)$; (iii) ₹ 2,000 crores)