

Lesson 50

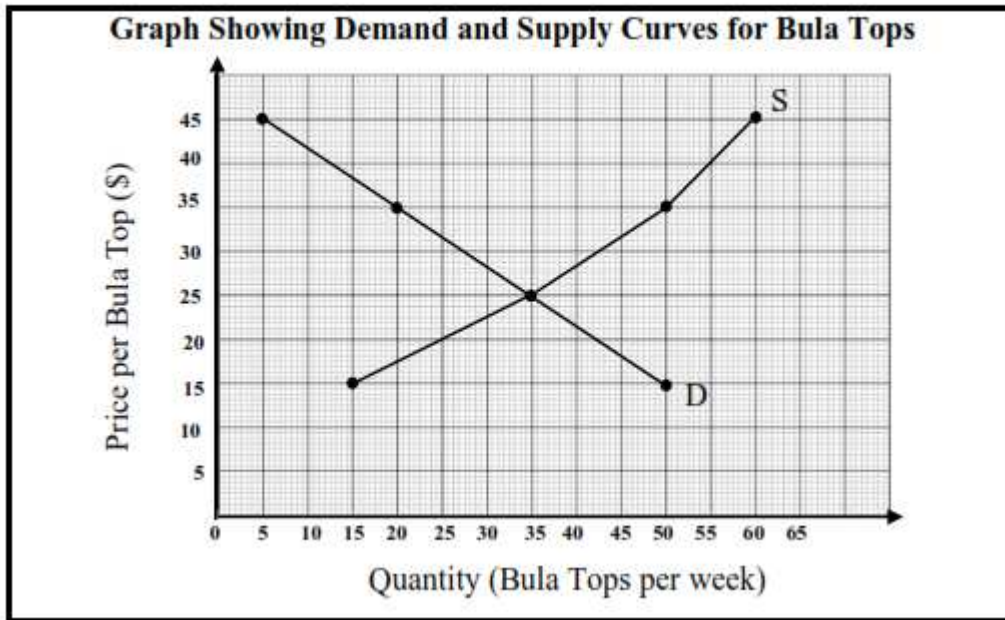
Strand 2: Microeconomics

Strand 2.4 : Price Mechanism

Learning Outcome: Apply knowledge of price mechanism to answer related questions from FYR11CE papers.

Activity- FYR11CE 2017

Use the graph given below and your knowledge to answer questions (i) – (iii).



i. From the graph provided complete the demand and supply schedule provided.

Price per Bula Top \$	Quantity demanded for Bula Tops per week	Quantity supplied for Bula Tops per week
15		
25		
35		
45		

ii. If the government sets the price ceiling at \$15, what would be the market shortage?

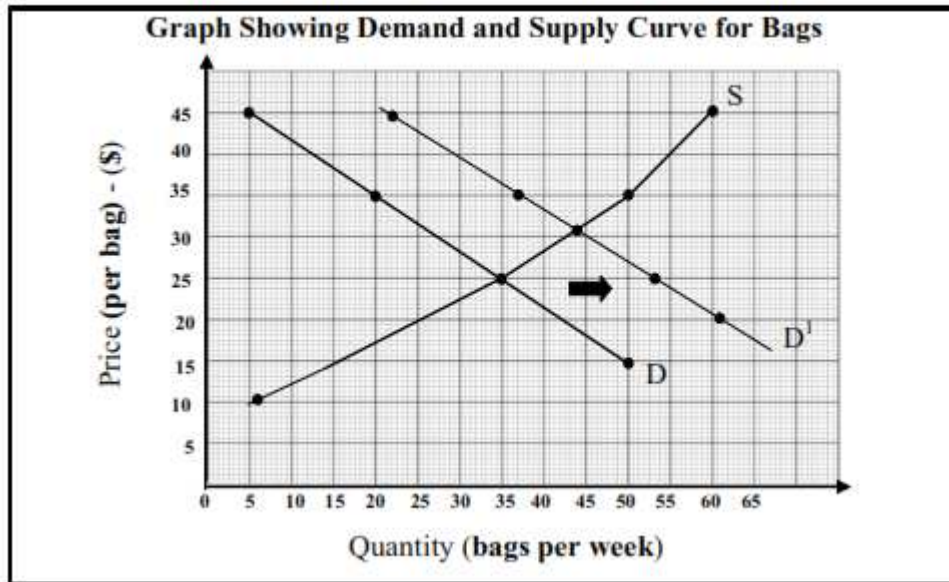
Market shortage:

_____ Bula Tops per week

iii. Explain why the government may set a price ceiling?

Lesson 51Strand 2: MicroeconomicsStrand 2.4 :Price MechanismLearning Outcome: Apply knowledge of price mechanism to answer related questions from FYR11CE papers.Activity- FYR11CE 2018

Use the graph given below on the demand and supply of bags per week and with your knowledge answer questions (i) to (iv).



- i. Define Equilibrium.
- ii. At what price would a consumer be willing to pay (per bag) for 20bags?
- iii. State one factor which had caused the movement of the demand curve from D to D1.
- iv. Distinguish between quantity demanded and quantity supplied.

Lesson 52Strand 3: MacroeconomicsStrand 3.1 : National IncomeLearning Outcome: Describe each component of National Income.Gross Domestic Product(GDP)

The total value of goods produced and services provided in a country during one year.

Components of GDP

1. Consumption (C): consists of goods and services bought by the households.
2. Investment (I): consists of goods and services bought for future use.
3. Government expenditure (G): goods and services bought by the government.
4. Net exports (X -M): takes into account exports to other countries and imports from other countries.

In a closed economy: ($NX = 0$)

-3 sector model: $Y = C + I$

-4 sector model: $Y = C + I + G$

In an open economy ($NX = 0$)

-5 sector model: $Y = C + I + G + NX$ (Exports – Imports)

GDP using Expenditure Method

$$GDP = C + I + G + NX / C + I + G + (X - M)$$

GDP using Income Method

$$GDP = R + W + i + P + (\text{subsidies} - \text{Indirect tax})$$

Nominal GDP (GDP at Current prices): actual numbers in today's dollars value of output of all final goods and services at current prices.

Real GDP (GDP at constant price): adjusted for inflation which allows it to be easily compared to past dollars.

Activity:

1. Distinguish between Nominal and Real GDP.
2. State the formula for calculating GDP using Income and Expenditure method.

Lesson 53

Strand 3: Macroeconomics

Strand 3.1 : National Income

Learning Outcome: Describe and calculate different concepts used in National Income.

1. Nominal GDP (GDP at current prices):

$$\text{NOMINAL GDP} = \frac{\text{REAL GDP} \times \text{PRICE INDEX}}{\text{BASE YEAR INDEX}}$$

2. REAL GDP (GDP at constant price):

$$\text{REAL GDP} = \frac{\text{NOMINAL GDP} \times \text{BASE YEAR INDEX}}{\text{PRICE INDEX}}$$

3. REAL GDP per capita

$$\frac{\text{REAL GDP}}{\text{POPULATION}}$$

4. GDP per total spending in the economy

It is the sum of all expenditures undertaken in the economy.

$$GDP = C + I + G + NX / C + I + G + (X - M)$$

GDP = Consumption + Investment + Government + Net Exports

Net Exports = Exports – Imports

Two to Five sector Model

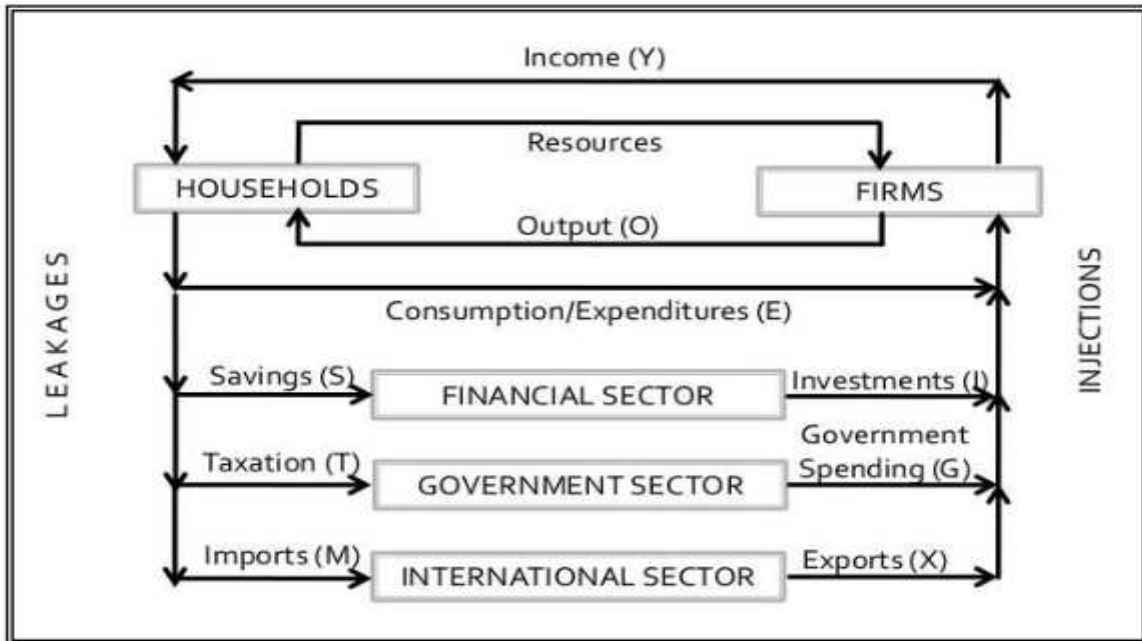
2 Sector: $Y = C$

3 Sector: $S = I$

4 sector: $S + T = I + G$

5 sector: $S + T + M = I + G + X$

Equilibrium
Condition



Source: <https://en.wikipedia.org>

Lesson 54

Strand 3: Macroeconomics

Strand 3.1 : National Income

Learning Outcome: Describe and calculate different concepts used in National Income.

FYR11CE Activities

- Define leakages.
- State the equation for equilibrium condition of a five sector circular flow model.
- Identify any four components of National income in an open economy.
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The following table shows the Gross Domestic Product (GDP) data for Robinson Crusoe economy. Use the data to answer questions (i) and (ii).

Year	Price Index	GDP at Current Price (\$m)	GDP at Constant Price (\$m)
2014	100	700	700
2015	276	1. _____	1100
2016	300	3465	2. _____

Base Year Index = 100

- Complete the table using the formulas provided in lesson 53.
- Assume this economy has a population of 400, 000. Calculate Real GDP per capita for the year 2015.

The End

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