Assignment

1. D
2. C
3. C
4. C
5. C
6. C
7. A
8. A
9. D
10. D
11. C
12. C
13. C
14. C
15. D
16. C
17. B

18. (a) Net domestic income = GDP − depreciation

= (9000 + 1800 + 28000 + 10000 + 24000) − 1700

= 71100

(b) Gross domestic Income

= (9000 + 1800 + 28000 + 10000 + 24000)

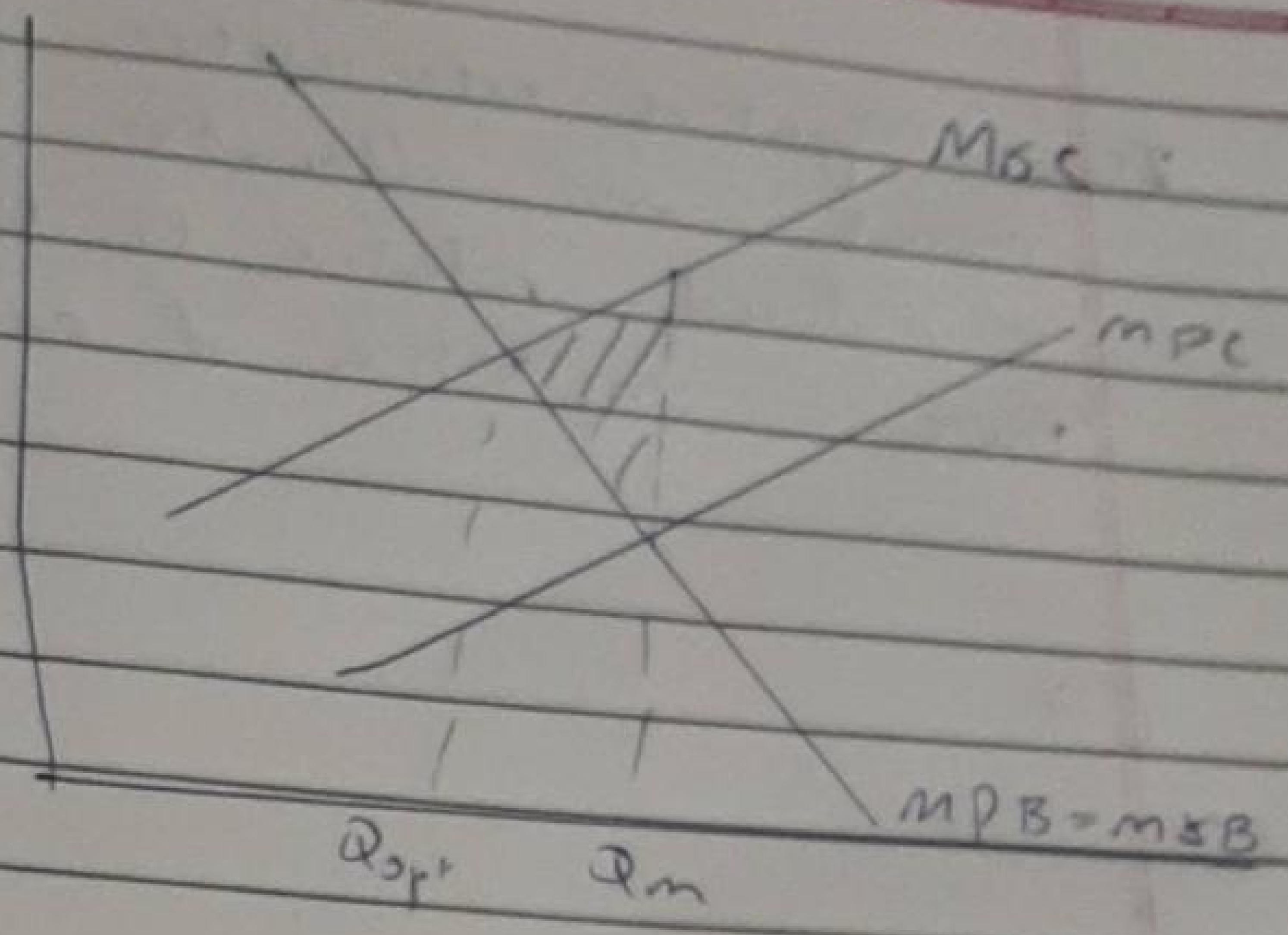
= 72800

(c) Net National income = gross national income − depreciation of fixed asset

= (72800 − 300) − 1700

= 70800

19. Negative externalities of production



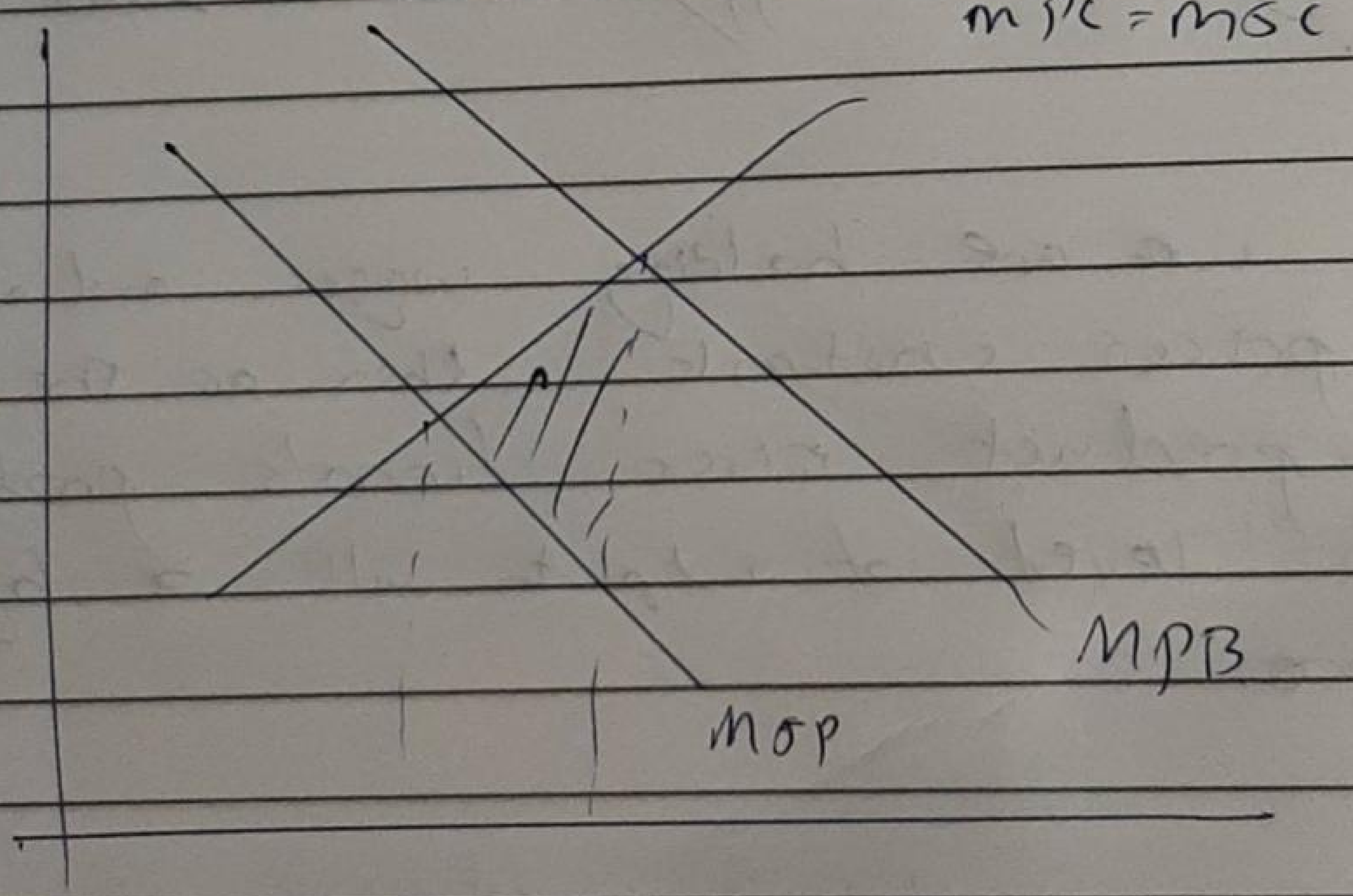
20. The aggregate supply curves show the amount of goods and services that firms are willing to supply at each ~~other~~ level of prices.

Because we are holding wages and other input prices constant, then as the prices of their product rises, firm's profitability at each level of output will be higher than before.

21. (i) Negative externalities is when the market over allocates resources: too much is produced relative to the social optimum. There is imposition of external costs on society

(ii)

(iii)



22.

2) (1) Product method
- Adds up the value of each good and services produced in the ~~country~~ economy with in a year which is equal to GDP

This approach allows comparison of the relative contribution of each sector of GDP

(2) Expenditure method
- Adds up total spending to buy all final goods and services within a year

GDP = $C + I + G + (x - m)$

(3) Income method
- Add all income earned by 4 factors of production in the process of producing total output within a year

- Rent earned by land
- Wages earned by labour
- Interest earned by capital
- Profit earned by entrepreneurship.