

**National Institute of Open Schooling  
Senior Secondary- Economics(318)  
Lesson 26: Consumption Saving and Investment  
Work Sheet : 26**

1. Calculate saving, APC, APS, MPC and MPS from following table:

Income(Y)	Consumption(C)	Saving(S)	APC	APS	MPC	MPS
0	50					
100	100					
200	150					
300	200					
400	250					

A) On the basis of the above table, explain the meaning of Average Propensity to Save. What is its relation with Average Propensity to Consume?

B) On the basis data given in the above table

Prove that,  $MPC + MPS = 1$ .

2. "It has been observed that the government system makes investment irrespective of earning profit whereas the private sector makes investment with the motive of earning profit in an economy". In the light of the statement, discuss the type of investment with the help of a diagram.
3. In the year 2019-20 the government of the United Kingdom has introduced the policy of equal distribution of income and wealth and providing availability of credit to common people of the nation. How do these two policies determine the level of consumption? Discuss.
4. A) Write the equation for consumption function C, given that the fixed consumption function amount is rupees 500.  $MPC=0.5$  and income is denoted as Y.  
B) What will be the level of consumption if  $Y = Rs.2000$ ?  
C) What will be the level of income if the level of consumption = Rs.1000?
5. Since the last five years, the Commercial Banks of India have reduced the rate of interest on depositing money and advancing loans. How does this policy affect the consumption expenditure and production expenditure of the economy?
6. Given the consumption function  $C=50 +0.75Y$ , make a schedule of income and consumption where income level changes by Rs.100 when consumption level changes by Rs.75. Derive the saving function. Show both the consumption and saving function with the help of a diagram.

7. Refer to question number 6 to find out the equation for the saving function. Find the level of saving if the level of income is Rs.1000 and also calculate the level of income if the level of saving is Rs.500.
8. “Even though the level of income is zero but there exists some level of consumption”. In the light of the statement, explain the psychological law of consumption.
9. When income increases consumption also increases but not in the same proportion. Can income become equal to consumption? If yes, what the situation is known as? Discuss the situation with the help of schedule.
10. “Average propensity to consume changes with change in income whereas marginal propensity to consume remains the same”. Support the statement with the help of schedule and calculate the value of APC and MPC.