

# RISHIKUL SANATAN COLLEGE REVISION WORKSHEET

## ECONOMICS

**YEAR 13**  
24<sup>th</sup> – 28<sup>th</sup> May

**MONDAY**  
**QUESTION 1**

### CLASSICAL SCHOOL OF THOUGHT

The classical foundation – emphasizes the work of Adam Smith. [A [Scottish](#) economist and moral philosopher]



**Adam Smith Father of Economics –**

**(1723-1790)**

Book: *An Inquiry into the Nature and Causes of the Wealth of Nation (1776)*

Founder of Classical Economics

**Adam Smith** based his ideas on the principle of Invisible Hand, Self Interest, and rational behavior to explain how capitalist or laissez-faire economy works best without government intervention.

Adam Smith in his book the wealth of nations Stated **that land was only source of wealth** .he also disagreed with the mercantilists who measured the wealth of a nation by money supply, and who called for government regulations of the economy in order to promote a favorable balance of trade.

**Smith believed that economies would work best if left to function on its own without government regulation. Then self interest would lead business firm to produce only those goods that consumers wanted, and produce them at lowest costs.**

To explain why all societies benefits when the economy is free of regulations, Smith used the metaphor of the **invisible hands referred to as forces of supply and demand**. Smith used the pin factory to show how specialization and division of labour increases output.

The following table is a summary of the findings and beliefs of some theorists or economists under the four different headings.

You are required to complete the table using relevant and appropriate remarks or statements under the numbers (i) – (ii) .

<b>Economist or Theorist</b>	<b>One Underlying Main Theory</b>	<b>Role of Government</b>	<b>Resource Allocation</b>	<b>Ownership of Assets</b>
Adam Smith (1723 – 1790)	(i)	(ii)	Unrestricted allocation of resources is essential.	(iii)

Research Work on:

- i) Milton Friedman’s quantity theory of money
- ii) Adam Smith’s invisible hand concept

**TUESDAY**

**QUESTION 2: Essay Writing**

**The schools of thought have been an important source of foundational knowledge in understanding Economics.**

**Discuss the above statement with reference to:**

- **Three** types of schools of thought you are familiar with (3 marks)
- **Three** respective Economists in the respective schools of thoughts above with their beliefs (J.M Keynes, Alfred Marshall and Adam Smith) (3 marks)
- **Three** reasons why the study of economic theorists is important (3 marks)

**WEDNESDAY**

**QUESTION 3**

$$MPP = TPP_2 - TPP_1$$

$$MRP = MPP \times \text{Price of the product}$$

Use the resource given below to answer the questions.

OUTPUT	TPP	MPP	Price of blue pen (\$)	MRP	Wages (\$)
1	300		3	900	1200
2	800		3		1200
3	1200		3		1200
4	1300		3		1200
5	1300		3		1200
6		-100	3		1200

- (i) Complete the table
- (ii) How many workers should the firm hire and why?
- (iii) Differentiate between marginal physical productivity and marginal revenue productivity
- (iv) Define marginal productivity theory
- (v) State and explain three assumptions of marginal productivity theory

#### THURSDAY QUESTION 4

**Price mechanism is a price system that determines the price of goods and services through the interaction of demand and supply curves**

**Equilibrium is a state of Balance. It is a situation where  $QD = QS$ .**

Use the information given below and your knowledge to answer questions. The market demand curve ( $Q_d$ ) and supply curve ( $Q_s$ ) of Good  $x$  are given by the following equations:

$$Q_d = 120 - 2p$$
$$Q_s = 2p$$

Where  $P$  is the price of Good  $x$  in dollars.

- (i) Calculate the equilibrium price and quantity.
- (ii) Calculate the market equilibrium price and quantity, if a subsidy of \$10 per unit is granted by government on Good  $x$ .
- (iii) Calculate the total subsidy expenditure by government.

**FRIDAY**  
**QUESTION 5**

$$\text{PES} = \frac{\% \text{ change in quantity supplied}}{\% \text{ change in price}}$$

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**Calculate the price elasticity of supply (i) –(iv)**

- i) The price of good A increased by 8% and the quantity supplied of good A rose by 5%
- ii) The price of good A increased from \$8 to \$12 and sales of good A increased from 200 units to 700 units
- iii) The production of good X fell by 20% and price of good X decreased by 5%
- iv) The quantity of good C fell from 120 units to 100 units as a result of a fall in price of good C from \$15 to \$12