

Aggregate D & C - R & U - Very Short (Info & Con)

Q.1. What is aggregate demand?

Ans. Aggregate demand refers to planned expenditure on the domestically produced goods and services during the period of an accounting year.

$$AD = C + I + G + X - M$$

Q.2. How is AD estimated in an economy?

Ans. AD is estimated as the sum total of consumption expenditure and investment expenditure that the people wish to make (during the period of an accounting year) corresponding to different levels of income in the economy.

Q.3. What are the components of AD in an open economy?

Ans. $AD = C + I + G + (X - M)$ (Here, C = Household consumption expenditure; I = Private investment expenditure; G = Government expenditure; X - M = Net exports.)

Q.4. Define AD schedule.

Ans. AD schedule is a table showing AD corresponding to different levels of income in the economy.

Q.5. What is AD curve?

Ans. AD curve is diagrammatic presentation of AD schedule, showing AD corresponding to different levels of Y (income) in the economy.