

Eq O/P/ Eq GDP - R & U - Very Short (Info & Con)

Q.1. What is aggregate supply?

Ans. Aggregate supply refers to the planned production of goods and services in an economy during an accounting year.

Q.2. What is meant by equilibrium?

Ans. Equilibrium is a situation when what the producers wish to produce (AS) is exactly equal to what the people wish to buy (AD) during an accounting year.

Q.3. What is equilibrium income?

Ans. Equilibrium income is that level of income where $AS = AD$ or when $S = I$.

Q.4. Can there be excess stocks in a state of equilibrium in the economy?

Ans. No. There cannot be excess stocks in the economy in a state of equilibrium.

Q.5. Are inventory stocks zero when $AS = AD$?

Ans. No. Only undesired inventory stocks are zero when $AS = AD$. Desired inventory stocks are maintained.

Q.6. What happens to undesired inventory stocks when $AS > AD$?

Ans. Undesired inventory stocks tend to pile up when $AS > AD$.

Q.7. What are 'desired stocks' with the producers?

Ans. Desired stocks refer to that level of stock where $AS = AD$ and the producers are in a state of equilibrium.

Q.8. What are 'actual stocks' with the producers?

Ans. Actual stocks include both desired as well as undesired stock.

Q.9. When are actual stocks greater than the desired stocks?

Ans. Actual stocks are greater than the desired stocks when aggregate demand falls short of the expectations of the producers, and some output remains unsold.

Q.10. When are actual stocks less than the desired stocks?

Ans. Actual stocks are less than the desired stocks when aggregate supply falls short of aggregate demand, and the producers suffer a loss due to unfulfilled demand.

Q.11. What is meant by ex-ante aggregate demand?

Ans. Ex-ante aggregate demand refers to desired or planned expenditure of the people in the economy during an accounting year.

Q.12. What is meant by ex-ante aggregate supply?

Ans. Ex-ante aggregate supply refers to the desired level of output in the economy during an accounting year. It is the level of GDP that the producers wish to produce (or plan to produce) during an accounting year.

Q.13. What is meant by ex-ante saving?

Ans. Ex-ante saving refers to desired saving (or planned saving) at different levels of income in the economy.

Q.14. What is meant by ex-post saving?

Ans. Ex-post saving refers to actual saving in the economy during the period of one year.