**Role of government**  
1. The slope of aggregate demand is downward-sloping as it is determined by

a. capacity of production

b. interest rate

c. the skills of the workers

d. the technological development

2. When aggregate demand is greater than the aggregate supply, there is \_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_ occurs after it.

a. shortage, unemployment

b. surplus, inflation

c. surplus, economic growth

d. shortage, inflation

3. The aggregate demand does not consist of the following components.

a. consumption

b. export demand

c. factors of production

d. government expenditure

4. When an economy increases the government expenditure, it c**annot** achieve this aim.

a. economic growth

b. low unemployment

c. increase in national income

d. price stability

5. Conflicting aims occur as the government cannot achieve two aims together. All these are examples of conflicting aims except for

a. economic growth and low unemployment

b. inflation and low unemployment

c. economic growth and low unemployment

d. economic growth and unequal distribution of income

6. An economy experiences inflation when there is an increase in aggregate demand under the conditions when there is

a. constant cost condition

b. the economy has spare capacity of resources

c. rising cost condition

d. labour cost is low

7. The low unemployment condition is achieved through the following development except…

a. increase in government expenditure

b. increase in consumption

c. increase in investment

d. growth in population

8. When a country attains economic growth, the country can have all these benefits except

a. higher national income

b. higher inflation rate

c. higher employment

d. more tax revenue

9. All these statements explain conflicting aims between inflation and unemployment except

a. increase in employment would mean that there is an increase in production that leads to a higher production level when the cost condition is rising or at full employment

b. inflation is higher as the aggregate demand increases while production level is higher to induce more employment

c. production level can increase without an increase in price level when the economy is operating at rising cost and full employment level

d. there is no increase in aggregate demand to raise production and employment and inflation rate will be low

10. Achieving price stability helps the economy to enjoy the followings except

a. higher purchasing power

b. lower cost of production

c. improvement in standard of living

d. low unemployment rate

**Revision work – demand and supply**

**The equilibrium price of the housing market has been on the rise for the past few years despite an increase in supply of houses. This is due to an increase in the income of citizens and more foreigners coming into Singapore. At the same time, there is a rise in the revenue in the renovation market.**

a. Explain how the equilibrium price of housing is attained. (4)

b Explain why the price of housing rises despite an increase in the supply of housing. (10)

c. Explain the relationship of the housing market and renovation market. (3)

d. Explain how the revenue in the renovation market will increase based on the given situation in the preamble.