

Title	Demonstrate knowledge of National Income determination		
Level	5	Credits	2

Purpose	People credited with this unit standard are able to: demonstrate knowledge of the circular flow of income; and analyse the impact of a change in the components of circular flow of income on the equilibrium level of National Income (GDP).
----------------	---

Classification	Economic Theory and Practice > Macro Economics
-----------------------	--

Available grade	Achieved
------------------------	----------

Guidance Information

- 1 *Income and expenditure model* is given by the condition $Y = C + I + G + (X - M)$, and is supported by sufficient data for each variable to enable the calculation of equilibrium level Gross Domestic Product (GDP) (the level such that Income (Y) = Expenditure (E)).
- 2 *Withdrawals* may also be referred to as leakages.

Outcomes and performance criteria

Outcome 1

Demonstrate knowledge of the circular flow of income.

Performance criteria

- 1.1 Components of the circular flow of income are identified and their determinants analysed.
- 1.2 The National Income (GDP) is explained using the expenditure equation $Y = C + I + G + (X - M)$.
- 1.3 Components of the circular flow are identified in the national accounts.

Outcome 2

Analyse the impact of a change in the components of circular flow of income on the equilibrium level of National Income (GDP).

Range income and expenditure model (graphic or calculation) or circular flow of income model (injections and withdrawals); evidence of four changes is required.

Performance criteria

- 2.1 The analysis determines the direction of change in the level of National Income (GDP).
- 2.2 The multiplier effect is explained and applied in the analysis.
- 2.3 The analysis distinguishes between nominal and real National Income (GDP).

This unit standard is expiring. Assessment against the standard must take place by the last date for assessment set out below.

Status information and last date for assessment for superseded versions

Process	Version	Date	Last Date for Assessment
Registration	1	29 October 1996	31 December 2021
Revision	2	21 July 1999	31 December 2021
Revision	3	14 September 2005	31 December 2021
Review	4	16 October 2009	31 December 2021
Rollover and Revision	5	16 April 2015	31 December 2021
Review	6	27 June 2019	31 December 2021

Consent and Moderation Requirements (CMR) reference

0116

This CMR can be accessed at <http://www.nzqa.govt.nz/framework/search/index.do>.