UNIVERSITY OF KELANIYA - SRI LANKA

Faculty of Commerce & Management Studies

Bachelor of Commerce (Special) Degree Examination (External) - 2014

Year II

November – 2017

BCOME 2055 – Macroeconomics

No. of Questions: Seven (07) **Time: 03 hours**

Answer any five (05) questions only.

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(01). a). Macroeconomics studies the broader aspects of the economy and also the behavior of economy as a whole". Explain this statement.

(07 Marks)

b). What is meant by macroeconomics policies?

(07 Marks)

c). Briefly explain goals of macroeconomics.

(06 Marks)
(Total 20 Marks)

(02). a). Discuss the reasoning behind the negative slope of the Phillips curve.

(04 Marks)

b). Illustrate the effects of inflation on following groups with special reference to Sri Lankan Economy.

i). Wage-earners

ii). Fixed-income earners.

iii). Borrowers and lender

iv). Producers

(16 Marks)
(Total 20 Marks)

(03). a). (i). What is meant by withdrawals and injections?

(03 Marks)

(ii). How do they affect the size of the circular flow of income and expenditure in an economy?

(05 Marks)

b). Suppose that you have been given the following information of a hypothetical economy as follows.

Consumption (C) = 1500 + 0.8 Y

Investment (I) = 150

Government Expenditure (G) = 250

Government tax income (T) = 45 + 0.25Y

Export (X) = 320

Import (M) = 25 + 0.2Y

Where, Y and Y_d are income and disposable income respectively. Assume that all figures are in Rupees Million.

You are required to Calculate:.

i). The equilibrium level of income,

(04 marks)

ii). The level of consumption at equilibrium income,

(03 marks)

iii). The level of net export at equilibrium income,

(02 marks)

iv). Calculate the equilibrium income, if investment increases by Rs. Mn.100,

(03 marks)

(Total 20 marks)

(04). a). Explain different types of steps which could be used to control current unemployment in Sri Lanka.

(10 Marks)

b). Explain difference between Gross Domestic Product (GDP) and Gross National Product (GNP).

(04 Marks)

c). Using a diagram illustrate the circular flows of income and expenditure of a four sector model.

(06 Marks)
(Total 20 Marks)

(05).

a). (i). Define the LM curve? Derive it graphically.

(06 Marks)

(ii). Explain the relationship between the interest rate and income.

(04 Marks)

b). (i). Illuminate the factors that determine the slope of the IS and LM curve.

(05 Marks)

(ii). Describe graphically how exports and imports affect the IS curve.

(05 Marks)
(Total 20 Marks)

(06).

a). (i). What are the major sources of money supply?

(04 Marks)

(ii). Explain the concept of money multiplier.

(04 Marks)

b). (i). It is argued that classical quantity theory of money is a mere axiom. Do you agree with this argument? Give reasons.

(07 Marks)

(ii). Explain the major shortcomings of Keynesian theory of demand for money.

(05 Marks)
(Total 20 Marks)

(07). Write the short notes on the following.

a) Consumption function
b) Phillips curve
c) Balance of payment
d) Multiplier
e) Three sector economy

(04 marks each)
(Total 20 Marks)