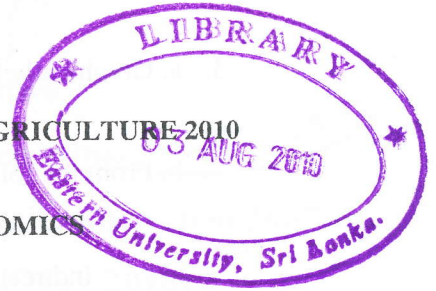


EASTERN UNIVERSITY, SRI LANKA.

FIRST YEAR SECOND SEMESTER EXAMINATION IN AGRICULTURE 2010

EXTERNAL DEGREE

AEC: 1201 INTRODUCTORY MACRO ECONOMICS



Answer ALL questions

Time allowed: 2 Hours

1. a. Define Macroeconomics and explain how it differs from Microeconomics.
b. Briefly explain the importance of Macroeconomics.
c. Graphically illustrate the Circular Flow of National Income and Expenditure including savings and investments.
2. a. What do you understand by the term Consumer Price Index? Distinguish it from GDP implicit price index.
b. Calculate the GNP deflator for the following data between 1990 and 2000.
Value of GNP in 2000 at base year price (1990) = 30 million rupees.
Value of GNP in 2000 at year 2000 price = 45 million rupees
Value of GNP in 1990 at base year price (1990) = 23 million rupees.
c. Suppose planned consumption is $\bar{C} + cY_d$, $I = \bar{I}$, In the absence of government sector and taxes,
 - i. Find an expression for the equilibrium level of income
 - ii. Find equilibrium level of income when $\bar{C} = \text{Rs. } 10,000.00$, $c = 0.80$ and $\bar{I} = \text{Rs. } 18,000.00$.

3. a. Graphically illustrate the Aggregate Demand and Aggregate Supply curves.

b. From the following data,

National income = Rs. 350, 000.00

Indirect taxes = Rs. 35, 600.00

Personal taxes = Rs. 30, 100.00

Capital consumption allowance = Rs. 37, 640.00

Social security contributions = Rs. 24, 300. 00

Interest paid by government = Rs. 11, 550. 00

Government and Business transfers = Rs. 25, 340.00

Calculate the following:

i. Net National Product,

ii. Gross National Product, and

iii. Personal Income

c. Explain the difficulties faced in the measurement of National Income in less developed countries.

4. Write **SHORT NOTES** on the following :-

a. Taxes,

b. Fiscal policy in developing countries, and

c. Budget Surplus and Budget Deficit.