EASTERN UNIVERSITY, SRILANKA
FACULTY OF COMMERCE AND MANAGEMENT
SECOND YEAR SECOND SEMESTER EXAMINATION IN BBA/BCOM
PROPER /REPEAT/RE-REPEAT (2013/14)
(MAY 2016)
ECN 2033 Macro Economics

Answer all Questions   Time 03 Hours

1. i.   Distinguish between Micro economics and Macro economics   (04 Marks)
    ii.   Briefly explain the postulates of classical macro economics.   (08 Marks)
    iii. Explain how the Say's Law of markets supports the above   (04 Marks)
          theory?
    iv.   What is meant by fictional unemployment? Explain the causes   (04 Marks)
          for it?
                                                              (Total 20 Marks)

2   i.   Define and derive the **IS** curve graphically.   (06 Marks)

    ii.   Why the IS curve is negatively sloped?   (04 Marks)

    iii. Suppose the structure of the product market and money
          market are given below.

          $C = 100 + 0.80 (Y-T)$

          $S = -100 + 0.20 (Y-T)$

          $I = 200 - 1080i$

          $G = 100$

          $T = 50 + 0.20Y$

          $M_s = 250$ million

          $M_d = 100 + 0.5Y - 2500i$

          Answer the following.

    a.   Give the function for the **IS** curve.   (02 Marks)
    b.   Give the function for the **LM** curve.   (02Marks)
    c.   Derive the equation for the General Equilibrium.   (02 Marks)
    d.   Find out the income at the General Equilibrium and   (02 Marks)
    e.   What is the interest rate at the General Equilibrium?   (02 Marks)
                                                              (Total 20 Marks)

3. i. Explain the Keynesian theory of consumption. (08 Marks)
   ii. What is meant by Marginal Propensity to Consume? (04 Marks)
   iii. Briefly state the role of money in an economy. (08 Marks)

   (Total 20 Marks)

4. i. What is meant by economic growth? (06 Marks)

   ii. Explain the neo – classical theory of economic growth. (08 Marks)

   iv. What is meant by Marginal Physical Productivity of labour? (06 Marks)

   (MPP_L)?

   (Total 20 Marks)

5. i. Describe the different types of inflation in an economy. (05 Marks)
   (ii) Explain the factors behind the demand pull inflation. (05 Marks)
   (iii) Explain the reasons why inflation is considered as a problem (05 Marks)
   for an economy.
   (iv) Differentiate a short-run from a long-run Phillips curve? (05 Marks)

   (Total 20 Marks)