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EASTERN UNIVERSITY, SRI LANKA
FIRST YEAR SECOND SEMESTER EXAMINATION IN AGRICULTURE 2003/2004
AEC1201: INTRODUCTORY MACROECONOMICS (2: 30/00)

Time: 2 Hours
Answer All Questions.

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01) The Disposable income (Yd) vs. Consumption(C) of the selected economy is shown her
From the data below

Yd (£)	C
400	360
500	440
600	520
700	600
800	680
900	760

a)

i) Plot the consumption function Curve. (20 marks)

ii) Name the graph (20 marks)

iii) What is the MPS (Marginal Propensity to Save) value for the above economy (15 marks)

iv) What is the "multiplier" value for the above economy? (15 marks)

b)

i) Algebraically express the relationship between investment and saving at household sector level (10 marks)

ii) What are the types of Investments? (10 marks)

iii) Critically comment the statement "Actual investment = Planned investment". (10 marks

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b) i) What is meant by Fiscal policy? (10 marks)

ii) What are the objectives of Fiscal policy? (10 marks)

iii) In the condition of full employment level of income is more than the equilibrium level of income in a country exist, what is the fiscal measure adopted in this condition? (10 marks)

iv) Why Agricultural Taxation is important? (15 marks)

04) a) i) List out the macro-economic goals? (10 marks)

ii) The capital asset value of a new machinery for fruit extraction is £ 1000. Its MEC (Marginal Efficiency of Capital) is 10%. Its life span is 2 years. What is the expected annual return of this machinery? (25 marks)

b) The two countries A and B are tend to grow in a better way to catch up a standard economy. The income level of country A is more than country B in a year. The income level of country A is $ 1000. The absolute income gap between these two countries is $400.

i) What is the income of country B? (10 marks)

ii) What is the relative income gap between these two countries? (15 marks)

c) i) After twenty years income level of country A and B are increased by two and three fold respectively. What is the absolute and relative income gap between two countries at this stage? (30 marks)

ii) Comment on your results? (10 marks)