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EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANGEMENT
2ND YEAR/1ST SEMESTER EXAMINATION IN BACHELOR OF BUSINESS
ADMINISTRATION AND BACHELOR OF COMMERCE -2002/2003 - 2003
(JUNE/JULY 2003)

ECN 2014 ADVANCED ECONOMIC THEORY

Answer all Questions

Time:03 hours

- Q1. (a) If the national income of a country doubles between two years, does it mean that everyone is twice as well off? Explain your answer. (10 Marks)
- (b) Explain the meaning of circular flow of national income. (10 Marks)
- Q2. (a) Briefly explain the difference between Hayekian and Keynesian perspective of investment. (08 Marks)
- (b) What factors would a firm need to consider when deciding to make an investment in a project? Explain your answers with examples. (12 Marks)
- Q3. (a) Does an imbalance of a nation's balance of payments really matters? Justify your answer, with special reference to Sri Lanka. (05 Marks)
- (b) How does a depreciation of the rate of exchange of a currency affect a country's balance of payments? (06 Marks)
- (c) What are the measures a nation can undertake to rectify a balance of payments deficit? Analyse critically. (09 Marks)
- Q4. Define the following terms and explain how they can connected, if at all
- (a) Balance of trade
- (b) Balance of payments
- (c) Exchange rate (20 Marks)
- Q5. (a) Compare and contrast the "Demand-pull" and "Mixed" inflation. (10 Marks)
- (b) Examine Philips analyses about the relationship between wage rate and rate of unemployment. (10 Marks)