

EASTERN UNIVERSITY, SRI LANKA.

FIRST YEAR SECOND SEMESTER EXAMINATION IN AGRICULTURE 2015

AEC: 1201 INTRODUCTORY MACRO ECONOMICS

EXTERNAL DEGREE

REPEAT EXAMINATION

Answer **ALL** questions

Time allowed: 2 Hours

1. a. Define Macroeconomics and state its goals.

b. The following data describes an economy,

National income = Rs. 254, 000.00

Indirect taxes = Rs. 26, 600.00

Personal taxes = Rs. 40, 500.00

Capital consumption allowance = Rs. 35, 640.00

Social security contributions = Rs. 25, 300. 00

Interest paid by government = Rs. 10, 510. 00

Government and Business transfers = Rs. 37, 450.00

Calculate the following using the above data provided.

- i. Net National Product,
- ii. Gross National Product, and
- iii. Personal Income

2. a. Explain and differentiate Nominal GDP and Real GDP

b. Assume that there are only two goods are produced in an economy. Using the following data calculate Real and Nominal GDP for 1990 and 2008. (Assumption: take 1990 as the Base year).

Goods produced	1990		2008	
	Quantity	Price (Rs.)	Quantity	Price (Rs.)
Good X	20	20	25	35
Good Y	40	18	55	30

c. Write the consumption function and explain the variables in it.

3. a. Briefly explain the Business Cycle.

b. Graphically illustrate the Aggregate Demand and Aggregate Supply curves.

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

a. Taxes,

b. Fiscal policy , and

c. Budget Surplus and Budget Deficit