EASTETRN UNIVERSITY, SRILANKA.
FACULTY OF COMMERCE AND MANAGEMENT
DEPARTMENT OF ECONOMICS
SECOND YEAR SECOND SEMESTER EXAMINATION IN BBA/ BCOM 2012/2013
(AUGUST- 2015) (PROPER/REPEAT/RE-REPEAT)
ECN 2033 MACRO ECONOMICS

Answer all Questions   Time 3 Hours

i.   Macro economics is described as "A bird's eye-view of the entire   (04 Marks)
      economy". Explain.

ii.   Explain the four phases of business cycle.   (04 Marks)

iii. Explain why there is a need for a separate theory of macro   (06 Marks)
      economics?

iv.   Explain the importance of the study of macro economics.   (06 Marks)

                                                                      (Total 20 Marks)

i.   What is Say's Law?   (04Marks)

ii.   What is meant by voluntary unemployment?   When it arises?   (08 Marks)

iii. Show graphically the equilibrium of the labour market and the   (08 Marks)
      determination of output.

                                                                      (Total 20 Marks)

i.   What is Keynes's Psychological law of Consumption?   (06 Marks)

ii.   Explain briefly the absolute income hypothesis.   (06 Marks)

iii. Is there any relationship between present and future   (08 Marks)
      consumption? Explain.

                                                                      (Total 20 Marks)

4. i.   List out different kinds of money available in a modern economy.   (03 Marks)

    ii.   What is meant by demand pull inflation? Explain with diagram.   (06 Marks)

    iii. Explain the fiscal measures of controlling inflation.   (05 Marks)

    iv.   Briefly explain the core functions of Commercial banks.   (06 Marks)

    (Total 20 Marks)

5. i.   What is a transfer payment? Explain with examples.   (04 Marks)

    ii.   Briefly explain Marginal Propensity to Consume (MPC).   (04 Marks)

    iii. Suppose structural model of an economy is given as follows.

    $C = 100 - 0.80Y_d$ (where $Y_d = Y-T$)
    $I = 150$
    $G = 50$
    $T = 20 + 0.25Y$

    (a) Find the equilibrium level of national income.   (04 Marks)

    (b) Find the consumption at equilibrium level of income.   (02 Marks)

    (c) Find out the fiscal multiplier.   (02 Marks)

    (d) Derive the saving function and find the saving at equilibrium level of income.   (02 Marks)

    (e) Find out the Change in equilibrium level of income, if G increases to 100 and I decreases to 100.   (02 Marks)

    (Total 20 Marks)