



SOUTH EASTERN UNIVERSITY OF SRI LANKA

**FIRST YEAR EXAMINATIONS IN BACHELOR OF BUSINESS ADMINISTRATION /
COMMERCE (EXTERNAL) – 2009 /2010 HELD IN AUGUST 2010**

BBA/COM 14 (II) – MACRO ECONOMICS

Answer **all** Questions. Calculator is allowed

Time allowed: **03 Hours**

1) Briefly explain the following concepts.

- i. Macroeconomics
- ii. Autonomous consumption
- iii. Stagflation
- iv. Money market
- v. Say's law of market
- vi. Marginal propensity to save
- vii. Fundamental law of consumption
- viii. Tree sector model
- ix. Induced investment
- x. Disguised Unemployment

(2 x 10 = 20 marks)

2)

- a. Identify and explain the major macroeconomic schools of thoughts.
(08 marks)
- b. Identify the macroeconomic objectives. Do you agree that these objectives are interrelated among them? Give reasons for your answer.
(07 marks)
- c. What is meant by investment function?
(05 marks)

3)

a. Complete the following diagram.

Y	C	S	APC	ΔY	ΔC	MPC
0	40	.....	.....	.....	80	0.8
100	.....	-20	1.2	100	.....	0.8
.....	200	0	1.0	.....	80	0.8
300	.....	.....	0.93	100	80	.....
400	360	40	.....	100	.....	0.8

(04 marks)

b. The detail related with an open economy given to you. (All values are in million)

Income	600	MPC	0.8
Budget deficit	30	Export	60
Imports	50	APS	0.1
Investment	50	Tax	60

Find the following,

i. To increase the total national production as 1010M, what amount of government expenditure to be increased?

(04 marks)

ii. When private investment falls to 80%, how will it impact at national income?

(04 marks)

c.

i. What is meant by IS curve?

(02 marks)

ii. What is meant by LM curve?

(02 marks)

iii. What do you understand from the IS – LM Equilibrium?

(02 marks)

iv. Explain the impact of monetary expansion in IS – LM equilibrium?

(04 marks)

4)

- a. Critically analyze the Fisher's Quantity theory of Money. (12 marks)
- b. What are the advantages in cash balance quantity theory of money than the Fisher's theory of money? (08 marks)

5)

- a. What is meant by Keynesian revolution? (08 marks)
- b. How do you differentiate the cost push inflation from demand pull inflation? (07 marks)
- c. Explain the applicability of cost push inflation in the context of Sri Lanka. (05 marks)