

**EASTERN UNIVERSITY SRI LANKA**  
**FACULTY OF COMMERCE AND MANAGEMENT**  
**SECOND YEAR SECOND SEMESTER EXAMINATION IN BBA/BCOM (2017/18)**  
**PROPER/REPEAT (Jan 2020)**  
**ECN 2023 Macroeconomics**

**Answer all Questions**

**Time: Three hours**

- 1.
- a. What is meant by money? Briefly explain the functions of money. (08 Marks)
  - b. Explain the significance of money in modern economy. (06 Marks)
  - c. Briefly explain the impact of inflation of an economy. (06 Marks)
- (Total 20 Marks)**
- 2.
- a. List out the various types of money which use for exchange goods and services. (04 Marks)
  - b. Briefly explain the money market and product market equilibrium using diagram. (08 Marks)
  - c. According to Say's "Supply creates its own demand". Explain. (08 Marks)
- (Total 20 Marks)**
- 3.
- a. Differentiate between autonomous investment and induced investment. (06 Marks)
  - b. Explain the main functions of Central Bank. (08 Marks)
  - c. **Suppose an economy is described by the following structural equations:**  
$$C = 10 + b(Y - 40 - tY)$$
$$I = 50$$
$$X = 20$$
$$M = 5 + 0.1Y.$$

Here assume that

- (a)  $MPC = 0.75$ ,
- (b) the budget of the government is in balance,
- (c) the proportional tax rate  $t = 0.20$ .

**Answer the following questions:**

- i. Find out the equilibrium level of national income. (02 Marks)
- ii. What is the value of the foreign trade multiplier? (02 Marks)
- iii. What is the value of imports at equilibrium income? (02 Marks)

**(Total 20 Marks)**

4.

- a. Phillips curve shows the short-run combinations of unemployment and inflation. Explain above using diagram. (06 Marks)
- b. Differentiate the terms of Personal income and disposable income? (06 Marks)
- c. Briefly explain the determinants of money supply. (08 Marks)

**(Total 20 Marks)**

5. Write about the following.

- a. Net present value (04 Marks)
- b. Credit Creation (04 Marks)
- c. Cost push Inflation (04 Marks)
- d. Transaction Demand for Money (04 Marks)
- e. Liquidity trap (04 Marks)

**(Total 20 Marks)**