



**UNIVERSITY OF PERADENIYA**  
**CENTRE FOR DISTANCE AND CONTINUING EDUCATION**



සායනවේලී උපාධි (බාහිර - නව නිර්දේශය) පරීක්ෂණය 200 මට්ටම - 2023  
கலைத்தேர்வுப் பரீட்சை (வெளிவாரி-புதிய பாடத்திட்டம்) 200 வது தேர்ச்சி மட்டம் - 2023  
**Bachelor of Arts (External - New Syllabus) Examination 200 Level -2023**

**ECNE 202: Macroeconomic Theory**

කාලය පැය (03) තුනයි.  
மூன்று மணித்தியாலங்கள்  
Time: three (03) Hours.

මොනවාදීලි අත් අකුරුවලට ලකුණු කපනු ලැබේ.  
எழுத்து தெளிவில்லாதவிடத்து புள்ளிகள் குறைக்கப்படும்.  
Marks will be deducted for illegible hand writing.

ප්‍රශ්න 05 කට පිළිතුරු සපයන්න.  
05 வினாக்களுக்கு மட்டும் விடையளிக்க.  
Answer 05 questions only.

මෙම ප්‍රශ්න පත්‍රයේ අඩංගු ප්‍රශ්න සංඛ්‍යාව 07 කි.  
இந்த வினாப்பத்திரத்தில் 07 வினாக்கள் உள்ளன.  
There are 07 questions in the question paper.

1. a) What is macroeconomics? Explain its features (05 Marks)
- b) Describe the principal objectives of macroeconomics and discuss their possible trade-offs. (15 Marks)
2. a) Explain how the multiplier and the interest sensitivity of aggregate demand affect the slope of the IS curve. (06 Marks)
- b) Derive aggregate demand (AD) curve using IS-LM model and explain. (08 Marks)
- c) Why long-run aggregate supply (AS) schedules are drawn vertically and short-run AS schedules are upward-sloping? Describe the reasons (06 Marks)
3. a) Why is the aggregate demand curve downward sloping? Briefly explain the reasons. (05 Marks)
- b) What factors affect aggregate demand and supply? Illustrate graphically and explain (08 Marks)
- c) Illustrate how an upward sloping aggregate supply curve weakens the multiplier. (07 Marks)
4. a) Critically evaluate the Permanent Income Theory of Consumption. (10 Marks)
- b) Make a comparative assessment of the consumption theories of absolute income hypothesis and the life cycle hypothesis. (10 Marks)

5. a) The cost-push theory of inflation indicates that inflation may be accompanied by declines in real output and employment'. Do you agree with this statement? Explain your answer. (10 Marks)
- b) Why is unemployment regarded as a problem? What policy measures might be used to address Sri Lanka's unemployment issue at present? (10 Marks)
6. a) Explain the short-run and long-run effects of an expansionary monetary policy on the level of income and general price level using AD and AS curves. (10 Marks)
- b) Explain the short-run and long-run effects of an expansionary fiscal policy on the level of income and general price level using AD and AS curves. (10 Marks)
7. Write short notes on any **Four** of the following
- a. Liquidity Trap
  - b. Crowding Out Effect
  - c. Speculative Demand for Money
  - d. The Phillips curve
  - e. Quantitative Measures of Credit Control

(05 Marks for each part)