



UNIVERSITY OF PERADENIYA
CENTRE FOR DISTANCE AND CONTINUING EDUCATION



ශාස්ත්‍රවේදී උපාධි (බාහිර - නව නිර්දේශය) පරීක්ෂණය 200 මට්ටම - 2022
கலைத்தேர்வுப் பரீட்சை (வெளிவாரி-புதிய பாடத்திட்டம்) 200 வது தோச்சி மட்டம் - 2022
Bachelor of Arts (External - New Syllabus) Examination 200 Level - 2022

ECNE 202: Macroeconomic Theory

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

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

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

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

1. a) Briefly explain the difference between Microeconomics and Macroeconomics (05 Marks)
- b) Describe the principal objectives of macroeconomics and discuss their possible trade-offs. (15 Marks)
2. a) Describe in words 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 in words. (08 Marks)
- c) Explain why long-run aggregate supply (AS) schedules are drawn vertically and short-run AS schedules are upward-sloping. (06 Marks)
3. a) Why is the aggregate demand curve downward sloping? Briefly explain your answer. (05 Marks)
- b) 'A change in the price level shifts the aggregate expenditure curve but not the aggregate demand curve'. Do you agree with this statement? Explain your answer. (08 Marks)
- c) Explain the shape of the aggregate supply curve and describe how an upward sloping aggregate supply curve weakens the multiplier. (07 Marks)
4. a) Critically evaluate the consumption theory of life-cycle hypothesis. (10 Marks)
- b) Make a comparative assessment of the consumption theories of absolute income hypothesis and the permanent income hypothesis. (10 Marks)

- 5 a) The demand-pull theory of inflation suggests that some inflation may be necessary for the economy to realize high levels of output and employment. However, 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 this problem? (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. Qualitative or Selective Measures of Credit Control

5 Marks for each section