



University of Kelaniya – Faculty of Social Sciences

Academic Year 2017/2018

Bachelor of Honors Degree Second Year

Second Semester Examination, January 2020

Economics

ECON 32424/SOST 32424 - Intermediate Macroeconomics

Answer only four (04) questions

No. of Questions: 08

Time: 03 hours

01. Analyze the various stages of development of macroeconomics with examples.
02. Explain the quantity theory of money and compare and contrast the classical and neoclassical quantity theory of money.
03. Explain the difference between Keynesian and classical theory of employment.
04. Explain the IS-LM model and analyze how fiscal and monetary policy tools use for increasing employment and output in an economy.
05. Explain the business cycle theory in brief and explain what the relevance of this theory to analyze the reasons for real world economic fluctuations.
06. Define inflation and explain how to use demand pull and cost push inflation to analyze reasons for inflation in Sri Lanka.

07. An economy shows the following features:

Consumption $C = 50 + 0.9(Y-T)$

Tax Revenue $T = 100$

Investment $I = 150 - 5i$

Government Expenditure $G = 100$

Money Demand $L = 0.2Y - 10i$

Real Money Supply $M/P = 100$

Export $X = 30$

Imports $M = 10 + 0.1Y$

Where Y = Income, i = Rate of Interest

- a. Obtain the IS and LM Equations of the economy
- b. Find out equilibrium income and rate of interest
- c. Find the balance of trade

08. Write notes on following four topics

- a. Investment
- b. Money supply
- c. Determination of rate of interest
- d. National Income Multiplier
- e. Import functions
- f. Foreign Trade Multiplier