

THE OPEN UNIVERSITY OF SRI LANKA
 DEPARTMENT OF SOCIAL STUDIES
 BA DEGREE PROGRAMME IN SOCIAL SCIENCES – 2018/2019
 FINAL EXAMINATION – LEVEL 3 (2nd SEMESTER)
 SSUI204 - PRINCIPLES OF MACRO ECONOMICS



DURATION: THREE HOURS (03 HOURS) ONLY

Date: 09.03.2019

Time: 09.30am. to 12.30 pm.

Instructions:

➤ Answer any five (05) questions. Each question carries 20 marks.

1. “Macroeconomics deals with the functions of the entire economy”. Explain this statement using your knowledge in macroeconomics.
2. Briefly explain the key macroeconomic problems.
3. Assume the following in a hypothetical economy. Using the information given answer questions (a) to (d).

Consumption	= $100 + 0.8Y_d$	Imports	= $0.2Y_d$
Investment	= 100	Government spending	= 200
Taxation	= $0.25Y$	Exports	= 150

 - (a) Find the equilibrium level of national income.
 - (b) Estimate the surplus or deficit in the budget at the equilibrium income.
 - (c) Estimate the balance of trade at the equilibrium income.
 - (d) Compute the income multiplier.
4. Discuss the significance of macroeconomic policies using suitable examples.
5. Explain how the Central Bank controls money supply using open market operations.
6. “Economic growth has advantages as well as disadvantages”. Analyze this statement using appropriate examples.
7. What policy measures can you recommend in order to reduce the unemployment problem in Sri Lanka?
8. Recently the Singapore free trade agreement has been much debated pointing out both its advantages as well as disadvantages. Likewise what is the importance of global integration to a country like Sri Lanka? Explain using examples.

9. Write short notes on any four (04) of the following.
- (a) Aims of commercial banks
 - (b) Rule 72
 - (c) Transactions excluded from GDP
 - (d) Types of inflation
 - (e) Currency depreciation
 - (f) Lorenz curve

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