



UNIVERSITY OF RUHUNA
FACULTY OF MANAGEMENT AND FINANCE

No. of Pages : 03
No. of Questions: 05
Total Marks :70

BACHELOR OF BUSINESS ADMINISTRATION HONOURS DEGREE

3000 LEVEL FIRST SEMESTER END EXAMINATION - AUG/SEP 2025

Three Hours

BBA 3101 - Macroeconomics (Old Syllabus)

Academic Year 2024/2025

Instructions

- ➔ Answer all (05) questions.

Question 01

- I. List out **three** approaches by which the national income can be determined. (03 Marks)
- II. Briefly explain **three** main economic concerns in relation to Sri Lanka. (03 Marks)
- III. Discuss how the **interconnection among the five criteria** for judging economic outcomes in macroeconomics - equity, efficiency, growth, full employment, and price stability has contributed to this crisis. (04 Marks)
- IV. Discuss the economic issues faced by the Sri Lankan government due to heavy foreign debt. (04 Marks)

(Total Marks 14)

Question 02

- I. List three important aspects of effective demand. (03 Marks)
- II. Briefly explain any three functions carried out by the Central Bank of Sri Lanka. (03 Marks)
- III. Differentiate **Classical Dichotomy** and **Monetary Neutrality** concepts in the classical approach. (04 Marks)
- IV. Explain the concept of dissaving using the relationship between consumption and savings. Illustrate your answer with a graph showing income, consumption, savings, and the dissaving region." (04 Marks)

(Total Marks 14)

Question 03

- I. List out the three other factors that explain the downward slope of the Aggregate Demand (AD) curve other than money supply and money demand effects on interest rate. (03 Marks)
- II. Explain the concept of **liquidity trap** and illustrate it with a diagram. (03 Marks)
- III. In post-COVID-19 Sri Lanka, rapid price increases have reduced the real output. Using a suitable graphical illustration, elaborate on how rising prices may lead to lower real output in an economy. (04 Marks)
- IV. Discuss the economic consequences of the excessive money printing during the post-COVID-19 period in Sri Lanka. (04 Marks)

(Total Marks 14)

Question 04

- I. List out six advantages of international trade that can help a country like Sri Lanka overcome an economic crisis. (03 Marks)
 - II. Briefly explain the effects of currency depreciation on imports, exports, and the trade balance. (03 Marks)
 - III. Discuss the difference between a fixed exchange rate and a floating rate with related to the prevailing situation in Sri Lanka. (04 Marks)
 - IV. During the post-COVID-19 period, Sri Lanka experienced severe economic issues largely due to a shortage of foreign currency reserves needed to pay for imports.
Discuss the above statement with reference to the economic situation during the Sri Lanka's post-COVID-19. (04 Marks)
- (Total Marks 14)**

Question 05

Consider an open economy characterized by the following data. All the figures are in Rs. billions.

Savings (S) when the income is 3000	600
Savings (S) when the income is 7000	1600
Planned Investment (I)	$80-12i$
Government Spending (G)	420
Exports (X)	330
Imports (M)	510
Tax (T)	$200+0.2Y$
Transaction Demand for Money (M_t)	$0.6Y$
Speculative Demand for Money (M_{sp})	$2190-3i$
Money Supply (M_s)	2550

Note:

- "i" stands for the interest rate in percentage points
- Assume that the price level remains fixed

Based on the above information, answer the following questions.

- I. Derive the function for IS curve related to goods market equilibrium. (03 Marks)
 - II. Derive the function for LM curve related to money market equilibrium. (02 Marks)
 - III. Calculate the short run equilibrium value of output and interest rate when goods market and money markets are simultaneously in equilibrium. (02 Marks)
 - IV. If the government increases the expenditure by Rs. 200 billion, explain the impact on equilibrium value of output using a diagram. (04 Marks)
 - V. Alternatively, assume that the Central Bank increases the money supply of the economy by 20%. What would be the effect on the equilibrium interest rate? (Assume that there is no change to the government expenditure). (03 Marks)
- (Total Marks 14)**

Moderated by
Goumit
