



BSc in Export Agriculture
Third Year First Semester Examination – July/August 2018

Macroeconomics (EAG 332-2)
Section I – Structured Questions

Instructions:

Answer all questions in the given space.

No. of questions : Two (02)

No. of pages : Nine (09)

Time : One (01) hour

Total marks allocated : 40%

01.

(I) Define the followings;

a) Inflation (05 marks)

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b) Deflation (05 marks)

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c) Disinflation (05 marks)

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d) Creeping Inflation (05 marks)

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e) Hyperinflation (05 marks)

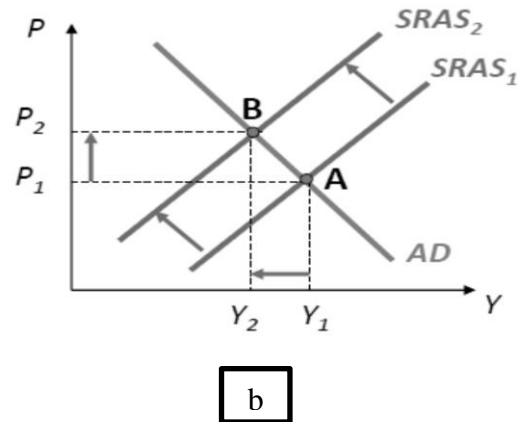
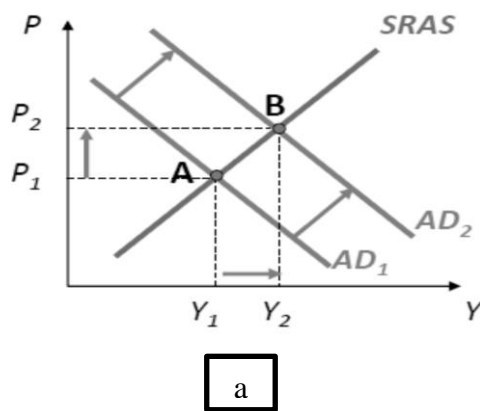
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(II) Write down the formula for inflation. You are required to identify the terms in the formula. (10 marks)

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(III) The following illustrations show two types of inflation. Identify them.

(10 marks)



a).....

b).....

c) Fill in the following table based on a) and b) (05 marks)

Shift	Caused by
Rightward shifts of the AD curve	
Leftward shifts of the AS curve	

(IV) What are the two major reasons that cause stagflation? (10 marks)

a)

b)

(V) What is meant by unemployment rate? (05 marks)

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(VI) The measure of the Rate of Unemployment is given as $(1 - \frac{E}{L}) \times 100\%$. What is shown by E and L in this equation? (04 marks)

$E =$

$L =$

(VII) What are the three major causes of unemployment? (06 marks)

a)

b)

c)

(VIII) What is meant by Natural Rate of Unemployment? (05 marks)

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(IX) The Natural Rate of Unemployment increases due to the increase in; (08 marks)

a)

b)

c)

d)

- (X) Graphically show the relationship between unemployment and inflation?
(12 marks)

02. The Mundell–Fleming model is a close relative of the *IS–LM* model. Both models stress the interaction between the goods market and the money market.

- (I) What is the key difference between Mundell–Fleming model and the *IS–LM* model? (05 marks)

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- (II) What is the most important and extreme assumption of Mundell–Fleming model? (05 marks)

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(III) What is meant by perfect capital mobility? (05 marks)

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(IV) How do you write the IS curve in the Mundell–Fleming model mathematically? Please note that you should identify the terms of the model. (10 marks)

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(V) How do you write the LM curve in the Mundell–Fleming model mathematically? Please note that you should identify the terms of the model. (10 marks)

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(VI) Graphically show how to derive the IS curve in the Mundell–Fleming model
(15 marks)

(VII) Graphically show how to derive the LM curve in the Mundell–Fleming model
(15 marks)

(VIII) Having derived the IS and LM curve in (VI) and (VII), graphically show the Mundell–Fleming model
(20 marks)

(IX) Graphically show what happens to the income with a fiscal expansion under floating exchange rate system (08 marks)

(X) Graphically show what happens to the income with a monetary expansion under floating exchange rate system (07 marks)

[End of Section I]