Uva Wellassa University
B.Sc. in Export Agriculture

End Semester Examination June/July 2009
Year III Semester II

Macroeconomics EAG 329-2

Instructions

Answer **all** questions. Each question bears equal marks.
No. of questions : Four (04)
No. of pages : Two (02)
Total marks allocated : 100%
Time : Two Hour (2 hrs)

Question 01

Distinguish between the following;

a. Real GDP and Nominal GDP.

b. Consumer Price Index (CPI) and GDP deflator.

c. Current Account and Capital Account.

d. Inflation and Deflation.

e. Nominal Interest Rate and Real Interest Rate.

Question 02

a. Write short notes on the following;

i. Transmission mechanism.

ii. Liquidity trap.

iii. Crowding out effect.

b. Discuss, using the IS-LM model, what happens to IR as prices change along a given AD schedule.

c. Find simultaneous equilibrium income for goods and money market when

$$C = 100 + 0.80yd$$
$$I = 150 - 6i$$
$$G = 100$$
$$L = 0.20yd - 2i$$
$$M = 150$$

Question 03

a. Discuss the short run relationship between the unemployment and inflation.

b.

i. What is a balance of payments statement?

ii. Use the data given below to measure a country's **Balance on Merchandize Trade**, **Balance on Capital Account** and **Balance of Payment**;

The United States exports goods valued at **$19,650**

The United States imports merchandized valued at **$21,758**

U.S. citizens receive interest income of **$3621** from foreign investments

Interest income of **$1394** is paid on foreign owned assets in the United States

U.S. citizens travel expenditures equal **$1919**

Foreign travel in the United States is **$1750**

U.S. unilateral transfers are **$2388**

U.S. Capital Outflow is **$4174**

U.S. Capital Inflow is **$6612**

Question 04

Discuss the reasons and private sector and public sector solutions for global economics meltdown.