



EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE & MANAGEMENT
3RD YEAR 1ST SEMESTER EXAMINATION IN BBA / COM – 2007/08 (REPEAT)
(JULY 2008)

ECN 3023 MONETARY ECONOMICS

Answer all questions

Time : 03 hours

01. (a) What are the main functions of money? (04 marks)
- (b) What do you understand from the term “Transactions demand for money”? (04 marks)
- (c) Briefly explain Tobin’s modern approach of demand for money. (12 marks)
- (Total 20 marks)**
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02. (a) Explain the term “Demand pull inflation” with diagram. (08 marks)
- (b) How far is a weighted average price index useful in measuring inflation of an economy? (04 marks)
- (c) Explain the current inflation problem in Sri Lanka. (08 marks)
- (Total 20 marks)**
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03. (a) Explain what monetary policy means. (04 marks)
- (b) Identify the authority that is concerned with monetary policy and how it implements the policy. (08 marks)
- (c) List some other functions of a Central Bank. (08 marks)
- (Total 20 marks)**

04. (a) Briefly explain the main functions of a Commercial Bank. (08 marks)

(b) The banking sector in Sri Lanka, has now expanded rapidly both in terms of volume of activity and the variety of services provided to the public". Discuss. (08 marks)

(c) Name some of the Non-banking financial institutions in Sri Lanka established after Economic liberalization and explain their functions. (04 marks)
(Total 20 marks)

05. (a) Explain the factors which determine the supply of money in country. (08 marks)

(b) Explain the monetary aggregates of Sri Lanka. (04 marks)

(c) Explain the following aspects of foreign exchange market.

- (i) Spot Rate
- (ii) Cross Rates
- (iii) Forward Rates
- (iv) Spread

(08 marks)
(Total 20 marks)
