

20 AUG 2000
Eastern University, Sri Lanka

EASTERN UNIVERSITY, SRI LANKA.
FACULTY OF COMMERCE AND MANAGEMENT
1998/99 (OCT/NOV 2000)
Bachelor of Business Administration – Part II
BBA 306 – Monetary Economics

Duration: 03 hours.

Answer any **five** questions

1. "Division of labour and specialization give way to a problem of distribution in a money economy." Interpret and comment the above statement. (20 marks)
2. a) Define the monetary base. (03 marks)
b) What is the relationship of currency outside banks to reserves of commercial banks? (04 marks)
c) What are the elements of money multiplier? (06 marks)
d) How can the money multiplier and the monetary base affect the money supply? (08 marks)
3. How useful are the various theories of inflation in explaining Sri Lankan experience? Give reasons for your answer. (20 marks)
4. Describe the marketing strategies visible in commercial banking services during 1990.s (20 Marks)
5. In what sense would you consider monetary policy as an essential tool of the Central Bank to manipulate the economy? (20 marks)

6. a) Describe the properties of a price index. (08 Marks)
- b) Assess the effectiveness of the Greater Colombo Consumer Price Index in measuring changes in retail prices. (12 Marks)
7. Compare and contrast money market and the capital market in-terms of institutions, instruments and functions. (20 Marks)
8. Write short notes on the following:
- a) Credit Rating
 - b) Treasury Bonds
 - c) Money Laundering
 - d) ~~International Finance Corporation.~~
Special Drawings Rights. (4 x 5 = 20 marks)
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