

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT
THIRD YEAR/SECOND SEMESTER EXAMINATION IN BBA^{Economics}-2004/2005
(REPEAT)

ECN 3023 Monetary Economics

Answer all questions

Time: 03 hours

01. (a) Explain the money's function as medium of exchange. (04 marks)
- (b) How does the transaction demand for money depend on the level of income received? (08 marks)
- (c) Explain the Tobin's approach of demand for money. (08 marks)
02. (a) What is meant by M_1 and M_2 in the money supply of Sri Lanka. (04 marks)
- (b) Explain the factors which determine the supply of money of a country. (08 marks)
- (c) Explain the relationship between the money supply and the price level. (08 marks)
03. (a) What is inflation? How do you measure it? (08 marks)
- (b) Explain some measures which are used to control inflation in a country. (12 marks)

04. (a) Why the Commercial Banks are called as "financial intermediaries"?
(04 marks)
- (b) Explain the economic importance of Commercial Banks in a country.
(08 marks)
- (c) How does a central bank function as a "banker to the government"?
(08 marks)
05. (a) Define Foreign Exchange Market.
(04 marks)
- (b) What do you understand from "forwarded exchange rate"?
(04 marks)
- (c) State the main items included in the current account of the Balance of payment presentation of Sri Lanka.
(12 marks)
