

EASTERN UNIVERSITY, SRI LANKA

FACULTY OF COMMERCE & MANAGEMENT

THIRD YEAR FIRST SEMESTER EXAMINATION IN BBA – 2005/06

(JULY / AUGUST 2007)

DBE 3113 Monetary Economics

Answer all five questions

Time : 03 hours

01. (a) What are the main functions of money?
(04 marks)
- (b) What is meant by “Transaction demand for money”?
Explain the main factors which determine the above demand for money.
(08 marks)
- (c) “According to Tobin, rational behaviour induces an individual to hold a wealth portfolio that is comprised of both bonds and money”
Discuss.
(08 marks)

(Total 20 marks)

02. (a) Explain the term “Cost Push Inflation”.
(04 marks)
- (b) Explain the relationship between the level of money supply and the price level of an economy.
(04 marks)
- (c) Differentiate Nominal money supply from real money supply.
(04 marks)
- (d) How far is a weighted average price index useful in measuring inflation of an economy?
(08 marks)

(Total 20 marks)

03. (a) Explain the main functions of a Central Bank. (08 marks)
- (b) Explain the recent international monetary policy measures with examples. (12 marks)
- (Total 20 marks)

04. (a) Explain the role and functions of a financial intermediary in an economy. (12 marks)
- (b) Explain the Development of the Non-banking Financial institutions in Sri Lanka after Economic liberalization. (08 marks)
- (Total 20 marks)

05. Briefly explain the following :
- (i) wage-price spiral
 - (ii) Cross Rates in foreign exchange market
 - (iii) Two way Quote in foreign Exchange market
 - (iv) Factors affecting money supply in Sri Lanka
- (20 marks)
