



Rajarata University of Sri Lanka
Faculty of Social Sciences and Humanities
B.A. (Hons) in Economics Degree Programme
Year III Semester II Examination – November / December 2024

ECON 32042 Money, Banking and Financial Markets

Time: 2 and ½ Hours
No of questions: Six (06)
No.of pages :Two (02)
Maximum marks: 100

Instructions: Answer four (04) questions only.

- 1 I Explain the assumptions of Fisher’s Quantity theory of money ?
(10 Marks)

II Discuss the Fisher’s Quantity theory of money and how it limits or is applicable to the realistic.
(15 Marks)

(Total 25 Marks)
- 2 I What are the factors depend on demand for money in Friedman’s quantity theory of money?
(09 Marks)

II Discuss the Marshall’s equation in the Cash-balance approach of the money demand and how it deffers from the Pigou’s equation.
(16 Marks)

(Total 25 Marks)
- 3 I Briefly explain “Monetary policy transmission mechanism”
(10 Marks)

II Discuss the functions of Commercial banks using suitable examples.
(15 Marks)

(Total 25 Marks)
- 4 Discuss the implementation challenges of the monetary policies in developing countries using suitable examples.
(Total 25 Marks)
- 5 I Explain the core objectives of Central Bank of Sri Lanka (CBSL)
(10 Marks)

II Discuss the functions of the financial markets in the global economy.
(15 Marks)

(Total 25 Marks)

- 6 Write short notes on any five (05) of the followings.
- I Precautionary motive for money demand
 - II Objectives of quantitative methods of credit control
 - III Statutory Reserve Requirement (SRR)
 - IV Open market operations of Central Bank of Sri Lanka
 - V Credit creation by the commercial banks
 - VI Spot market and Forward market

(5 Marks *5 = Total 25 Marks)