



**EASTERN UNIVERSITY, SRI LANKA**  
**FACULTY OF COMMERCE & MANAGEMENT**  
**FINAL YEAR/SECOND SEMESTER EXAMINATION IN ECONOMICS 2003/04**  
**(June 2005)**

**ECN 4024 - BANKING AND FINANCE**

Answer the all questions

Time: 03 hours

1. (i) What is a commercial Bank? What functions does a commercial bank perform in an economy? (05 marks)
- (ii) Briefly explain the services offered by commercial banks historically and more recently. (05 marks)
- (iii) Why is liquidity important for a commercial bank? (10 marks)
  
2. (i) Why are commercial banks subject to government regulation in the U.S banking system? (05 marks)
- (ii) Point out the principal regulatory agencies and their responsibilities. (05 marks)
- (iii) Identify the type of customer facilities that are provided by commercial Banks of Sri Lanka? Explain. (10 marks)
  
3. (i) Briefly analyse the difference between Central banking system of Sri Lanka and the U.S.A. (05 marks)
- (ii) What are the principal objectives of a Central Bank and do you see conflicts among these objectives? (05 marks)
- (iii) Briefly discuss the financial structure of Sri Lanka. (05 marks)
- (iv) Briefly point out the objectives and importance of long term lending institutions to the development of our country. (05 marks)

4. (i) Discuss the importance of share market. (05 marks)
- (ii) Analyse the main factors which influence share prices in an economy. (05 marks)
- (iii) "Share price in Sri Lanka experienced vast fluctuations between 1992 and 1994". Discuss the reasons for this. (05 marks)
- (iv) Discuss the recent developments in the Sri Lankan share market. (05 marks)
5. (i) Evaluate the functioning of the international monetary system. (05 marks)
- (ii) Identify the main international financial institutions and their objectives? (05 marks)
- (iii) Point out the shortcomings of the Gold Standard and how did the Bretton woods system overcome these. (05 marks)
- (iv) Why did the Bretton woods system break down in the early 1970s? What changes did it give rise to in the exchange rate system? (05 marks)

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