

04. a. Distinguish between demand – pull and cost – push inflation. (08 marks)
- b. Prepare a weighted average price index using hypothetical data. (07 marks)
05. a. Examine a Central Bank's functions as promoter of economic development in the context of Sri Lanka. (10 marks)
- b. Briefly state the services currently provided by the Central Bank of Sri Lanka. (05 marks)

**EASTERN UNIVERSITY, SRI LANKA**

**FACULTY OF COMMERCE AND MANAGEMENT**

**THIRD YEAR/ FIRST SEMESTER EXAMINATION IN BBA/ COM – 2002/ 2003 & 2002/ 2003 (A)**

**PART – II FIRST SEMESTER EXAMINATION IN ECONOMICS –**

**2002/ 2003 & 2002/ 2003 (A) (JUNE/ JULY 2003)**

**ECN 3024 MONETARY ECONOMICS**

**Answer All Five Questions**

**Time : 03 Hours**

01. a. Explain the transactions demand for money.
- b. State and briefly explain the determinants of money supply of an economy.
- c. Explain the importance of M2b in the money supply of Sri Lanka?
- d. Explain the “Wage – price spiral”.
- e. What do you understand from “Lender of last resort”?
- f. Analyse the effect of high inflation on balance of payments?
- g. Brief the development of the other financial (non banking) institutions in Sri Lanka, after 1977.
- h. The following quotes are given for spot, 01 months, 03 months, and 06 months U.S. Dollar, and Pound Sterling. Convert these into outright rates, with corresponding spreads.

	Spot	01 month	03 months	06 months
\$/ £	2.0015/ 30	19/17	26/22	42/35

(05 x 08 = 40 marks)

02. “Although Tobin’s theory of demand for money yields results very similar to Keynes’ analysis, it is superior to Keynes’ theory. Discuss.

(15 marks)

03. a. Briefly state the economic functions of financial intermediaries.

(05 marks)

- b. Explain the development of commercial banking system in Sri Lanka after the economic reforms of 1977.

(10 marks)