

THE OPEN UNIVERSITY OF SRI LANKA
 DEPARTMENT OF SOCIAL STUDIES
 BA DEGREE IN SOCIAL SCIENCES - LEVEL 05
 FINAL EXAMINATION – 2021/2022 (2nd Semester)
 DSU5338 – BANKING AND FINANCIAL SYSTEMS
 DURATION: THREE HOURS (03 HOURS) ONLY



Date: 12th of February 2023

Time: 09.30 a.m. – 12.30 p.m.

Instructions:

➤ Answer **ONLY** five (05) questions out of nine (09)

1. Explain any four (04) functions of financial systems using examples for each. (20 marks)
2. Explain major money market instruments available in Sri Lanka providing examples where necessary. (20 marks)
3. What are the main classes of financial instruments according to market and the term structure? (20 Marks)
4. Explain the difference between a financial intermediary and a financial service institution. (20 Marks)
5. (a) Explain the monetary policy transmission mechanism. (10 Marks)
 (b) How does Central Bank of Sri Lanka (CBSL) use monetary policy to achieve price stability? (10 Marks)
6. (a) What are the different insurance products offered by insurance companies? (10 Marks)
 (b) Explain how insurance companies facilitate the transfer of funds from savers to borrowers. (10 Marks)
7. (a) Briefly explain three (03) types of exchange rate systems (10 Marks)
 (b) Distinguish between hedgers and speculators (10 Marks)

8. Explain why the government issues different financial instruments such as T-bills, T-bonds, SLDBs and Sovereign bonds? (20 Marks)

9. Write short notes on **any four (04)** of the following.

- i. Treasury bills
- ii. Treasury bonds
- iii. Central Depository System (CDS)
- iv. Society for Worldwide Inter-Bank Financial Telecommunication Functions of money (SWIFT)
- v. Sri Lanka Inter-Bank Payment Systems (SLIPS)
- vi. Real Time Gross Settlement System (RTGS)
- vii. Underwriting

(5x4 = 20 Marks)

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