THE OPEN UNIVERSITY OF SRI LANKA
DEPARTMENT OF SOCIAL STUDIES
BA IN SOCIAL SCIENCES –2024/2025
FINAL EXAMINATION – LEVEL 5 (SEMESTER II)
DSU5338 – BANKING AND FINANCIAL SYSTEMS

DURATION: THREE HOURS (03 HOURS) ONLY

Date: 02.08.2025	**Time: 1.30 p.m. - 4.30 p.m.**

Instructions:

- **There are nine (09) questions in this paper.**
- **Answer any five (05) questions.**
- **Each question carries 20 marks.**

1. Explain major money market instruments available in Sri Lanka providing examples where necessary. (20 Marks)

2. (a) What are the major roles played by financial intermediaries in the market? (10 Marks)

   (b) Explain why banks need to meet capital adequacy requirement. (10 Marks)

3. (a) Explain the importance of government financial operation and its financial instruments. (10 Marks)

   (b) Explain the role played by the finance companies in the financial market in Sri Lanka. (10 Marks)

4. (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)

5. (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)

6. (a) Briefly explain **three (03)** types of exchange rate systems. (10 Marks)

   (b) Distinguish between hedgers and speculators. (10 Marks)

7. (a) Explain the role of credit rating in the financial market. (10 Marks)

   (b) Explain the role played by the following services in the financial market. (10 Marks)

      (i) Factoring

      (ii) Brokering

8. (a) Describe a financial crisis by comparing banking and currency crisis. (10 Marks)

   (b) Explain the causes and consequences of the Asian financial crisis which erupted in 1997-1998. (10 Marks)

9. Write short notes on **any <u>four (04)</u>** of the following.
   a) Central Depository System (CDS)
   b) Society for Worldwide Inter-Bank Financial Telecommunication Functions of money (SWIFT)
   c) Sri Lanka Inter-Bank Payment Systems (SLIPS)
   d) Real Time Gross Settlement System (RTGS)
   e) Underwriting
   f) Subprime financial crisis
   g) Credit guarantee (5x4 = 20 Marks)