

THE OPEN UNIVERSITY OF SRI LANKA
DEPARTMENT OF SOCIAL STUDIES
BA DEGREE IN SOCIAL SCIENCES PROGRAMME (2017/2018)
FINAL EXAMINATION – LEVEL 5 (SEMESTER 2)
DSU5338/SSU3138 – BANKING AND FINANCIAL SYSTEMS



DURATION: THREE HOURS (03 HOURS)

Date: 09.06.2018

Time: 9.30 a.m – 12.30 p.m

Instructions:

- Answer only (05) five questions.
 - Each question carries equal marks.
 - Please write in legible handwriting.
1. Explain the structure of a financial system and its key players and how it becomes more effective in these days? provide examples where necessary
 2.
 - (a) Briefly explain at least one financial instrument which is used in each market of the financial systems.
 - (b) Distinguish between “common shares” and “preferred shares”
 3.
 - (a) Explain the three (03) financial intermediaries which contributes to the economy in several ways
 - (b) Examine how each and every financial market is integrated and participants of each market use services of other market.
 4.
 - (a) Briefly explain the three (03) sources of funds of the bank.
 - (b) Discuss the risks faced by banks when they execute their day to day activities
 5. Central bank is a banker of the bank and carries out numerous tasks of the nation. Broadly explain the functions of central bank of Sri Lanka.

- 6.
- (a) Graphically explain the exchange rate equilibrium under the floating exchange rate regime
 - (b) Distinguish fixed exchange rate and Managed floating exchange rate
- 7.
- (a) Discuss why the government needs to borrow money from local and foreign sources.
 - (b) How does the central bank of Sri Lanka control and maintain the financial stability by using government securities? Use examples where necessary
- 8.
- (a) Briefly explain the importance of credit ratings in financial Market.
 - (b) Explain the three (03) financial services which are facilitated through high modern technology
9. Write short notes on any **(4) four** of the following
- (a) Commercial papers
 - (b) Secondary functions of the bank
 - (c) Liquidity management
 - (d) Life insurance
 - (e) Monetary policy and goals
 - (f) Asian financial crisis

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