**THE OPEN UNIVERSITY OF SRI LANKA**
**DEPARTMENT OF SOCIAL STUDIES**
**BA IN SOCIAL SCIENCES – LEVEL 4**
**FINAL EXAMINATION– 2025/2026 (SEMESTER - I)**
**DSU4335 – MONETARY ECONOMICS**

**DURATION: THREE HOURS (03 HOURS) ONLY**

**Date:09.05.2026** **Time:09.30 a.m. – 12.30 p.m.**

**Instructions:**

- **Answer ONLY five (05) questions.**
- **Each question carries twenty (20) marks.**
- **Please write clearly.**

1. (a) Define money and explain the characteristics of money. (10 marks)

(b) Explain the disadvantages of barter system and how money solved those problems. (10 marks)

2. (a) Explain the motives for demand for money according to Keynes. (10 marks)

(b) Explain equilibrium in the money market using appropriate diagram. (10 marks)

3. Explain the Quantity Theory of Money and the Cambridge approach to the demand for money. (20 marks)

4. (a) What is money supply? Explain different measures of money supply in Sri Lanka. (12 marks)

(b) Explain the determinants of money supply. (8 marks)

5. Explain the process of money creation by commercial banks with a suitable example. (20 marks)

**6**. (a) What is monetary policy? Explain the objectives of monetary policy. (10 marks)

(b) Explain the instruments of monetary policy used by the Central Bank. (10 marks)

**7**. Explain the money multiplier and its relationship with the monetary base. (20 marks)

**8**. Explain the Liquidity Preference Theory of money demand. How does interest rate affect demand for money? (20 marks)

**9**. Write short notes on **any FOUR (04)** of the following topics. (05 marks for each)

(a) Types of money

(b) Transaction demand for money

(c) Cash reserve ratio

(d) Open market operations

(e) Speculative demand for money

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