THE OPEN UNIVERSITY OF SRI LANKA
DEPARTMENT OF SOCIAL STUDIES
BA DEGREE IN SOCIAL SCIENCES – LEVEL 4
FINAL EXAMINATION – 2016/17
SSU2135–MONETARY ECONOMICS

DURATION: THREE HOUR (03 HOUR)

Date: 12th November 2016 **Time: 01.30 P.M – 04.30 P.M**

Instructions:

- **Answer 5 questions only**

1. (a) Define Money and explain the determinants of the demand for Money. (8 Marks)
   (b) Explain the evolution of money and describe the key features of the barter system. (12 Marks)

2. (a) Briefly describe the liquidity preference theory. (8 Marks)
   (b) Explain the criticism against the classical approach to the demand for money. (12 Marks)

3. Explain the determinants of the money supply in an economy. (20 Marks)

4. Critically explain the money creation ability of the commercial banks using examples. (20 Marks)

5. (a) What are the objectives of the Central Bank of Sri Lanka (8 Marks)
   (b) Explain the effectiveness of the monetary policy of Sri Lanka in achieving those objectives (12 Marks)

6. (a) Briefly describe the Aggregate Supply and Aggregate Demand (8 Marks)
   (b) Explain how the equilibrium level of aggregate output is determined. (12 Marks)

7. Explain the "IS curve" using a diagram. (20 Marks)

8. Explain what will happen to the macroeconomic equilibrium due to fiscal policy and monetary policy changes. Use diagrams where necessary. (20 Marks)

9. Write short notes on any four **(04)** of the following: (5 Marks Each)

   (a) Barter System
   (b) Precautionary Demand for Money
   (c) Speculative Demand for Money
   (d) Deriving IS curve
   (e) The IS –LM Model

*****Copyrights Reserved******