

THE OPEN UNIVERSITY OF SRI LANKA  
 DEPARTMENT OF SOCIAL STUDIES  
 BA DEGREE PROGRAMME IN SOCIAL SCIENCES - LEVEL V  
 FINAL EXAMINATION 2023/2024 (SEMESTER II)  
 DSU5338 – BANKING AND FINANCIAL SYSTEMS



DURATION: THREE HOURS (3 HOURS)

Date: 18.08.2024

Time: 09.30 a.m. – 12.30 p.m.

**Instructions:**

- The question paper consists of nine (09) questions.
- Answer any five (05) questions.
- Each question carries 20 marks.
- Answers should be legibly written.

1. (a) Explain the structure of a financial system and its players. (10 marks)  
 (b) Discuss the challenges faced by Sri Lanka's financial system with reference to the current economic crisis. (10 marks)
2. (a) Explain the different types of financial instruments that are available in the market. (10 marks)  
 (b) Describe the main functions of financial submarkets. (10 marks)
3. (a) Explain the roles played by financial intermediaries in the market. (10 marks)  
 (b) Distinguish the characteristics of the following financial institutions. (10 marks)
  - (i) Unit trusts
  - (ii) Finance companies
4. (a) Interpret "on-balance sheet" activities and "off-balance sheet" activities. (6 marks)  
 (b) What is meant by the liquidity management of a bank? (8 marks)  
 (c) Describe the possible impacts of market risks. (6 marks)

5. (a) Explain the main functions of the Central Bank of Sri Lanka (CBSL) with appropriate examples. (10 marks)
- (b) How does the CBSL use monetary policy to achieve price stability? (10 marks)
  
6. (a) Graphically explain the exchange rate equilibrium under a floating exchange rate regime. (10 marks)
- (b) Distinguish between hedgers and speculators. Explain how they deal with market risks. (10 marks)
  
7. (a) Why does a government need to borrow money from local and foreign sources? (10 marks)
- (b) What roles does the Central Bank of Sri Lanka play in the government securities market? (10 marks)
  
8. (a) Explain the role of credit rating institutions in the financial market. (10 marks)
- (b) Explain the use of digital technologies in delivering financial services by banks. (10 marks)
  
9. Write short notes on **any four (04)** of the following
  - (a) Financial Crises
  - (b) Derivatives market
  - (c) Superannuation funds
  - (d) International Sovereign Bonds (ISB)
  - (e) Primary dealer system
  - (f) Central Depository System
  - (g) Interbank call money
  - (h) Commercial papers
 (5×4 =20 marks)

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