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- 1. What is the difference between the Quantity Theory of Money and the Equation of Exchange?
- 2. What are the advantages of the National Consumer Price Index over the Colombo Consumer Price Index as a measure of cost of living in Sri Lanka?
- 3. Why do people hold money? What affect does the level of income have on the amount of money people hold?
- 4. Assume that for a hypothetical economy,money supply (M) is Rs.3600 billion,total bank deposits (D) are Rs.3200 billion,the statutory reserve ratio is 10% and the banks do not hold excess reserves.
 - (a) What is the value of money multiplier for this economy?
 - (b) What should the Central Bank do to decrease money supply by Rs.100 million in this economy?
- 5. How does the Central Bank of Sri Lanka operates the Standing Rate Corridor(SRC) to control the inter-bank call money market interest rates?