



Department of Education, Sabaragamuwa/weekly school

week- July 3

Subject-Economics

Grade-13

Prepared by -
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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?