



Provincial Department of Education Sabaragamuwa-
Weekly School

Subject : Economics

Week : 3

Grade : 13

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Competency 7.0 - Investigates the way of contribution of the banking system to the economic activities by identifying the behaviour of money and general price level.

Competency Level 7.3 : Presents money supply analytically.

Money Supply –

The total stock of money circulates among the general public at a given period is called money supply. Money supply is also defined as monetary aggregate.

Determinants of money supply

1. Net domestic borrowings of the banking system

- Loans provided to government corporations
- Net foreign assets of central bank
- Net foreign assets of commercial banks

2. Net domestic assets of banking system consists of

- Net lendings to the government by the banking system
- Net lending of private sector

3. Net foreign assets of banking system

4. Other net assets

Exercise

1. What are the net foreign assets of the central bank?

2. What are the foreign assets of a commercial bank?

3. Describe what is meant by Base money and name its components.

