



Department of Education, Sabaragamuwa/weekly school

week- December 1

Subject-Economics

Grade-13

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1. Explain what the base money is and how it relates to the money supply?
2. The combined balance paper of a commercial banking system has been stated below.

Assets		Liabilities	
Deposits	500	Reserve money	70
		Treasury bills	130
		Loans and advances	300
	500		500

The reserve rate ordered by the central bank is 20%. Build up the new combined balance paper after making required adjustments to maintain this banking system in a stable situation. Explain the Multi Deposit contraction.

3. How does the central bank involve efficiently in creating inter-bank call money market interest rates?
4. (a) What are the objectives of the central bank?
(b) Mention the major functions of the central bank.
5. How is the monetary policy used to expand the aggregate demand?