

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE & MANAGEMENT
FINAL YEAR 1ST SEMESTER EXAMINATION IN BBA/ECONOMICS
2005/06 (JULY / AUGUST 2007)

ECN 4023 Banking Theory and Practice

Answer all questions

Time : 03 hours

01. (a) "Defining a bank is complicated." Explain with reasons. (04 marks)
- (b) Classify banks by the markets they serve. (04 marks)
- (c) Why do commercial banks wish to undertake off-balance sheet activities? (08 marks)
- (d) Explain the types of risks the commercial banks face in connection with off-balance sheet operations. (04 marks)
02. (a) What is the principal goal of a commercial bank? How does profitability of a bank and the risks affect this goal? (12 marks)
- (b) Explain the constraints that banks face in achieving their goals. (08 marks)
03. (a) What are the basic services of a commercial bank? (04 marks)
- (b) State some recently developed services of commercial banks. (04 marks)
- (c) Explain some specific measures which have been taken to maintain public confidence in banks in Sri Lanka. (08 marks)
- (d) What are the financial conglomerates? Explain the factors which have encouraged their development in a financial system. (04 marks)

04. (a) Briefly state the present day functions of the Bank of England. (04 marks)
- (b) What are the main functions of the merchant banks under the British Banking System? (08 marks)
- (c) Explain the main features of American Banking System. (08 marks)

05. Briefly explain the following :

- (a) Electronic money
- (b) Repo Rate and the Reverse Repo Rate
- (c) Draft Micro Finance Institutions Act (MFI Act)
- (d) Economic importance of share market in Sri Lanka.

(20 marks)
