

UNIVERSITY OF RUHUNA
2016/2017 Academic Year B. A. (Special) Degree - 2000 Level
2nd Semester Examination – May 2018

ECN /STS 22653 – Finance Theory

Answer **Four (04)** questions only.

Time: 03 Hours

01. (i) Explain the nature and scope of finance theory (10 Marks)
- (ii) How do you understand the importance of finance theory? (05 Marks)
02. (i) Describe the various stages in the evolution of money (05 Marks)
- (ii) Identify and discuss the alternative approaches to the definition of money. (10 Marks)
03. (i) Illustrate graphically the circular flow of money in three – sector model. (08 Marks)
- (ii) Identify and give detention to withdrawals and injections of the four sector model in an economy. (03 Marks)
- (iii) Explain briefly the importance of circular flow of money in and economy. (04 Marks)
04. (i) List out the main assumptions of the classical theory of money. (05 Marks)
- (ii) “In the classical theory although money does facilitate to make transaction of goods and services but it never influence the real sector of the economy”
- Do you agree with above statement? Use appropriate diagrams to illustrate your answer. (10 Marks)

05. (i) Evaluate the role of money in the Keynesian theory. (09 Marks)

(ii) In which occasions the money ought to be neutral in the Keynesian theory? (06 Marks)

06 (i) what do you mean by the price dichotomy? (05 Marks)

(ii) Examine how does patinkin integrate the real and money sectors through the real balance effect. (10 Marks)

07 Write notes to followings.

(i) Quantity theory of money

(ii) Significance of Money

(iii) Determination of interest rate in the Keynesian theory.

(15 Marks)

@@@@@@@@@@@@