INDIAN SCHOOL AL WADI AL KABIR

Class: XII	**Department: Commerce**	**Date of submission: 15/04/2020**
Worksheet No: 1	**Topic: Money & Banking**	

MCQ's

1. Money which is accepted as a medium of exchange because of the trust between the payer and the payee is called:
   a. Full bodied money
   b. Credit money
   c. Fiat money
   d. Fiduciary money
2. Money that is issued by the authority of the government is called:
   a. Full bodied money
   b. Credit money
   c. Fiat money
   d. Fiduciary money
3. Which of the following is the component of M1 measure of money supply?
   a. Time deposit
   b. Demand deposit
   c. Cash reserves of the commercial banks
   d. None of these
4. Bank money is that money which is:
   a. Printed by RBI
   b. Printed by the government
   c. Generated in the form of credit creation
5. Demand deposits are:
   a. Chequeable deposits
   b. Non-chequeable deposits
   c. Deposits which can be withdrawn on demand
   d. Both (a) and (b)
6. Supply of money is a :
   a. Flow variable
   b. Stock variable
   c. Real flow
   d. None of these
7. In India , coins are issued by:
   a. State bank of India
   b. Reserve bank of India
   c. Ministry of finance
   d. Ministry of urban development
8. Which of the following systems is followed by RBI for issuing currency?
   a. Proportionate system
   b. Simple deposit system

c. Minimum reserve system
d. Fixed fiduciary issue system

9. The central bank:
   a. Is an apex bank
   b. Is the sole agency of note –issuing
   c. Focuses on stability and growth of the economy
   d. All of these
10. With an increase in market rate of interest ,cost of credit:
    a. Decreases
    b. Increases
    c. Remains constant
    d. None of these
11. The rate at which commercial banks are allowed to park their surplus funds with RBI is called:
    a. Bank rate
    b. Repo rate
    c. Currency rate
    d. Reverse repo rate
12. Money supply consist of:
    a. Currency
    b. Deposit
    c. Both currency and deposits
    d. None of the above
13. Difference between M3 and M1 is:
    a. Savings deposit
    b. Time deposit
    c. Current deposits
    d. All of these
14. The rupee coin is made of:
    a. Copper
    b. Nickel
    c. Steel
    d. Iron
15. In India, suppliers of money are:
    a. Government of the country
    b. Banking system of the country
    c. Both (a) and (b)
    d. None of these
16. Rs. 10 issued by RBI is called:
    a. Fiat money
    b. High powered money
    c. Bank money
    d. (a) and (b)
17. With an increase in SLR , flow of credit in the economy:
    a. Increases
    b. Decreases
    c. Remains unchanged
    d. None of these
18. Moral suasion by RBI relates to:
    a. Pressure by the RBI to follow its directives
    b. Persuasion by the RBI to follow its directives
    c. Persuasion as well as pressure by the RBI to follow its directives

d. None of these

19. Which of the following is the function of central bank of the country?
    a. Bank of note-issuing
    b. Lender's last resort
    c. Custodian of foreign exchange
    d. All of these
20. Liquid assets include:
    a. Unencumbered approved securities
    b. Cash
    c. Gold
    d. All of these

1 mark questions:

1. What is the measure of money supply in India?
2. State whether money supply is a stock or flow variable.
3. What are demand deposits?
4. What is bank money?
   A: It refers to demand deposits created by the commercial banks.
5. Define the term commercial bank.
6. Define credit multiplier.
7. .What is the value of money multiplier when initial deposits are Rs500crs and LRR is 10%?

3-4 marks questions:

8. What is credit money and what are its various forms? Give example.
9. Do you consider a commercial bank to be 'creator of money' in an economy?
10. Explain the effect of an increase in repo rate on credit creation by commercial banks.
11. What role of RBI is known as 'Lender of last resort'?
12. Explain any two methods of credit creation used by central bank.
    Hint: Repo rate and open market operation.

5 to 6 marks questions:

13. How do commercial banks create deposits? Explain.
14. How is 'bank rate' used by central bank in influencing credit creation by commercial banks? Explain.
15. Discuss the differences between a central bank and a commercial bank.