



INDIAN SCHOOL AL WADI AL KABIR

DEPARTMENT OF COMMERCE

MCQs: MONEY N BANKING

1 Mark Questions:

Question 1.

What is the defect of the barter system?

- (A) Lack of double coincidence of wants
- (B) Difficulty in the measurement of value
- (C) Difficulty in store of value
- (D) All of these

Question 2.

Which of the following is the credit money?

- (A) Cheque and draft
- (B) Promissory note
- (C) Exchange note
- (D) All of these

Question 3.

Which among the following is the near money?

- (A) Bonds
- (B) Insurance policy
- (C) Securities
- (D) All of these

Question 4.

Institution that accepts deposits for lending purpose is known as _____

- (A) Commercial Bank
- (B) Central Bank
- (C) Government
- (D) Public

Question 5.

Who circulates all mint and one rupee note in India?

- (A) Ministry of Finance
- (B) RBI
- (C) Ministry of External Affairs
- (D) State Government

Question 6.

Indian Monetary System is based on _____

- (A) Paper Standard
- (B) Metallic Standard
- (C) Gold Standard
- (D) Credit Money Standard

Question 7.

Which of the following is the apex bank of India?

- (A) RBI
- (B) SBI
- (C) SBP
- (D) PNB

Question 8.

Who has the right of note issue?

- (A) Central Bank
- (B) Commercial Bank
- (C) Government
- (D) Co-operative Bank

Question 9.

The ratio of total deposits that a commercial bank has to keep with RBI is called:

- (A) Statutory liquidity ratio
- (B) Deposit ratio
- (C) Cash reserve ratio
- (D) Legal reserve ratio

Question 10.

Demand deposits include

- (A) Saving account deposits and fixed deposits
- (B) Saving account deposits and current account deposits
- (C) Current account deposits and fixed deposits
- (D) All type of deposits

Question 11.

By supply of money we mean:

- (a) Money deposited in the bank
- (b) Money available with the public
- (c) Deposits with post office savings bank
- (d) All of these

Question 12.

Which one is the Bank of the Public?

- (a) Commercial Bank
- (b) Central Bank
- (c) Both (a) and (b)
- (d) None of the above

Question 13.

The primary function of Commercial Bank is?

- (a) Accepting Deposits
- (b) Advancing Loans
- (c) Credit Creation
- (d) All of these

Question 14.

Deposits accepted by the Commercial Banks:

- (a) Current Deposits
- (b) Saving Deposits
- (c) Time Deposits
- (d) All of these

Question 15.

Credit Multiplier is:

- (a) $1/\text{CRR}$
- (b) $\text{cash} \times 1 \text{ CRR}$
- (c) $\text{Cash} \times \text{CRR}$
- (d) None of these

Answer: (a) $1/\text{CRR}$

Question 16.

Credit money is increased when CRR:

- (a) Falls
- (b) Rises
- (c) Both (a) and (b)
- (d) None of these

Question 17.

The full form of ATM is:

- (a) Any Time Money
- (b) All Time Money
- (c) Automated Teller Machine
- (d) Both (a) and (b)

Question 18.

The main function of a commercial bank is:

- (a) Credit control
- (b) Loaning to other banks
- (c) Accept deposits from customers
- (d) All the above

Question 19.

Commercial banks:

- (a) Issue currency notes
- (b) Accepts deposits from customers

- (c) Provide loans to customers
- (d) Only (b) and (c)

Question 20.

What is true for the Central Bank?

- (a) Apex Bank of the Country
- (b) Ownership of the Government
- (c) Regulates the entire banking system in the country
- (d) All the above

Question 21.

Which of the following is the function of the Central Bank?

- (a) Monopoly of Note Issue
- (b) Banker of the Government
- (c) Custodian of Foreign Exchange Reserves
- (d) All the above

Question 22.

Which type of currency is issued by Central Bank?

- (a) Currency
- (b) Credit Money
- (c) Coins
- (d) All of these

Question 23.

Which is the major objective of credit control?

- (a) To maintain Price Stability
- (b) To stabilize Exchange Rate
- (c) To production and Employment
- (d) All the above

Question 24.

Which is not a quantitative method of credit control?

- (a) Bank Rate
- (b) Moral Suasion
- (c) Open Market Operations
- (d) Change in CRR

Question 25.

Every bank is required to maintain a fixed percentage of its assets in the form of cash is called:

- (a) Cash Reserve Ratio
- (b) Statutory Liquidity Ratio
- (c) Both (a) and (b)
- (d) None of the above

Question 26.

Reserve Bank of India was established in :

- (a) 1947
- (b) 1935
- (c) 1937
- (d) 1945

Question 27.

The central bank controls credit through:

- (a) Bank rate
- (b) Open market
- (c) CRR
- (d) All the above

Question 28.

Which of the following is a qualitative method of credit control?

- (a) Variation in cash reserve ratio of banks
- (b) Restriction on consumer credit
- (c) Open market operations
- (d) Variation in bank rate

Question 29.

Who regulates the money supply?

- (a) Govt, of India
- (b) Reserve Bank of India
- (c) Commercial Bank
- (d) Planning Commission

Question 30.

14 big scheduled commercial banks in India were nationalised in:

- (a) 1949
- (b) 1955
- (c) 1969
- (d) 2000

Match the following:

Question 31.

'A'	'B'
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1. Primary function of money	(a) Paper money
2. Indian Rupee is	(b) Bad master
3. An institution which deals with money	(c) Measure of value
4. RBI established on	(d) Bank
5. Money is a good servant but	(e) 1 April 1935.

Question 32.

Column-I	Column-II
1. Fiat money	(A) Reserve Bank of India
2. Legal tender	(B) Banking through electronic media
3. Apex bank of India	(C) Must be accepted as a medium of exchange
4. Central bank in India	(D) Statutory Liquidity Ratio

5. E-banking	(E) Circulated with the order of government
6. SLR	(F) Cash Reserve Ratio
7. CRR	(G) Issuing notes
8. Bank rate	(H) The central bank of India
9. Function of commercial bank	(I) Determined by the central bank
10. Function of the central bank	(J) Accepting deposits

Assertion-Reasoning Questions:

33. Read the following statements – Assertion (A) and Reason (R). (Choose one of the correct alternatives given below)

Assertion(A): There are two components of money supply, currency held by the public and net demand deposits held by the commercial banks.

Reason(R): Money supply is a stock variable and refers to the stock of money held by public in spendable form i.e., money supply refers to the stock of money in circulation in an economy.

- a. Both (A) and (R) are true and (R) is the correct explanation of (A)
- b. Both (A) and (R) are true and (R) are true and (R) is not the correct explanation of (A)
- c. (A) is true but (R) is false
- d. (A) is false but (R) is true

34. Read the following statements – Assertion (A) and Reason (R). (Choose one of the correct alternatives given below):

Assertion(A): Anything will be called money, if the law of country proclaims it to be money.

It will be commonly accepted measure of value as it will be endowed with legal tender power (limited and unlimited). Thus “money is what the law says it is”.

Reason(R): limited legal transfer money can be accepted up to a certain maximum limit. For example, in India, coins up to rs1000 only (as per coinage bill, august 2011) can be accepted legally in payment. All currency notes have unlimited legal tender.

- a. Both (A) and (R) are true and (R) is the correct explanation of (A)
- b. Both (A) and (R) are true and (R) are true and (R) is not the correct explanation of (A)
- c. (A) is true but (R) is false
- d. (A) is false but (R) is true

35. Read the following statements – Assertion (A) and Reason (R). (Choose one of the correct alternatives given below):

Assertion(A) Money is an asset and can be stored in future money helps people to transfer their purchasing power from present use to future use.

Reason (R) Money is a way to store wealth because it is commonly accepted measure of value and easy to store money.

- a. Both (A) and (R) are true and (R) is the correct explanation of (A)
- b. Both (A) and (R) are true and (R) are true and (R) is not the correct explanation of (A)
- c. (A) is true but (R) is false
- d. (A) is false but (R) is true

36. Read the following statements – Assertion (A) and Reason (R). (Choose one of the correct alternatives given below):

Assertion (A) Money is also called bearer of options

Reason(R) Money commonly accepted measure of value money helps in buying selling of goods and services:

- a. Both (A) and (R) are true and (R) is the correct explanation of (A)
- b. Both (A) and (R) are true and (R) are true and (R) is not the correct explanation of (A)
- c. (A) is true but (R) is false
- d. (A) is false but (R) is true

37. Read the following statements – Assertion (A) and Reason (R). (Choose one of the correct alternatives given below):

Assertion(A) higher the legal reserve ratio, lower will be the credit creation and lower the legal reserve ratio, higher will be the credit creation.

Reason(R) money/ deposit multiplier in a multiple by which total deposits increase due to primary deposit. It refers to the amount by which the initial deposits multiply into a larger amount of final deposits.

Money multiplier= $1/(LRR/RDR)$ (LRR=legal reserve ratio RDR=reserve deposits ratio)

- a. Both (A) and (R) are true and (R) is the correct explanation of (A)
- b. Both (A) and (R) are true and (R) are true and (R) is not the correct explanation of (A)
- c. (A) is true but (R) is false
- d. (A) is false but (R) is true

CASE BASED QUESTION:

Read the following article and answer the questions given below:

Demonetisation was a new initiative taken by the Government of India in November 2016 to tackle the problem of corruption, black money, terrorism and circulation of fake currency in the economy. Old currency notes of Rs 500, and Rs 1000 were no longer legal tender. New currency notes in the denomination of Rs 500 and Rs 2000 were launched. The public were advised to deposit old currency notes in their bank account till 31 December 2016 without any declaration and upto 31 March 2017 with the RBI with declaration.

Further to avoid a complete breakdown and cash crunch, notes government had allowed exchange of Rs 4000 old currency the by new currency per person and per day. Further till 12 December 2016, old currency notes were acceptable as legal tender at petrol pumps, government hospitals and for payment of government dues, like taxes, power bills, etc. This move received both appreciation and criticism. There was long queues outside banks and ATM booths. The shortage of currency in circulation had an adverse impact on the economic activities. However, things improved with time and normalcy returned.

This move has had positive impact also. It improved tax compliance as a large number of people were brought in the tax ambit. The savings of an individual was channelized into the formal financial system. As a result, banks have more resources at their disposal which can be used to provide more loans at lower interest rates. It is a demonstration of State's decision to put a curb on black money, showing that tax evasion will no longer be tolerated. Tax evasion will result in financial penalty and social condemnation. Tax compliance will improve and corruption will decrease. Demonetisation could also help tax administration in another way, by shifting transactions out of the cash economy into the formal payment system. Households and firms have begun to shift from cash to electronic payment technologies.

38. Demonetisation announced for the purpose of

- a. To tackle the problem of corruption
- b. To tackle the problem of Black money
- c. To tackle the problem of terrorism
- d. All of the above

39. Which currency notes have been demonetised

- a. Rs 500
- b. Rs 1000
- c. both (a) and (b)
- d. none of the above

40. positive impacts of Demonetisation

- a. large number of people was brought in the tax ambit
- b. savings are channelized into the formal financial system
- c. Both(a) and (b)
- d. None of the above

41. Criticism on demonetisation

- a. Long queues outside banks and ATM centres
- b. Shortage of the currency in circulation
- c. Both (a) and (b)
- d. None of the above