

Chap 2: Money and Banking

MCQs

1. _____ is the total volume of money held by the public, for the purpose of disposing off, at a particular point of time. (Choose the correct alternative to fill in the blank) (CBSE, 2024 C)
(A) Term deposits
(B) Money supply
(C) Demand for money
(D) Credit creation
2. Suppose in a hypothetical economy, the Central Bank increases the reserve ratio from 10% to 25%. Keeping the amount of initial deposits constant at ₹1,000 crore, the amount of total money creation would be ₹ _____ crore. (Choose the correct alternative to fill in the blank) (CBSE, 2024)
(A) 10,000
(B) 6,000
(C) 4,000
(D) 5,000
3. Read the following statements carefully: (CBSE, 2024)
Statement 1: Reserve ratio and Credit creation process are inversely related.
Statement 2: Central Bank of an economy performs the vital function of controlling the credit creation process.
In light of the given statements, choose the correct alternative from the following:
(A) Statement 1 is true and Statement 2 is false.
(B) Statement 1 is false and Statement 2 is true.
(C) Both Statements 1 and 2 are true.
(D) Both Statements 1 and 2 are false.
4. Choose the correct alternative to complete the given schedule: (CBSE, 2024)

Round	Deposits	Loans (90%)	Reserve Ratio (10%)
I	2000	1800	200
II	..(i)..(ii).. ...	180 ..
Total	..(iii)..(iv).. ...	2000

Alternatives:

(A) 2000, 1620, 20000, 18000

(B) 1800, 180, 2000, 18000

(C) 1620, 180, 2000, 18000

(D) 1800, 1620, 20000, 18000

5. Identify the incorrect feature(s) of money supply (M1) from the following:
(CBSE, 2024, C)

- (i) It is measured at a point of time.
- (ii) It does not include stock of money held by the government.
- (iii) It is always the currency in the hands of the Central Bank of a nation.

Alternatives:

(A) (i) and (ii)

(B) (ii) and (iii)

(C) (ii) only

(D) (iii) only

6. Find the missing figures and choose the correct alternative: (CBSE, 2024)

Round	Deposits	Loans (80%)	Reserve Ratio (20%)
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I	5000	4000	..(i).. 800
II	4000	..(ii)..
...
...(iv).. 5000	
Total	..(iii).. 5000		

Alternatives:

- (A) 1000, 800, 20000, 25000
- (B) 5000, 3200, 25000, 20000
- (C) 1000, 3200, 25000, 20000
- (D) 1000, 8000, 20000, 25000

7. Read the following statements carefully: (CBSE, 2023)

Statement 1: Primary deposits are the cash deposits by general public with commercial banks.

Statement 2: Secondary deposits are those deposits which arise on account of credit provided by the commercial banks to the people.

In light of the given statements, choose the correct alternative from the following:

- (a) Statement 1 is true and Statement 2 is false.
- (b) Statement 1 is false and Statement 2 is true.
- (c) Both Statements 1 and 2 are true.
- (d) Both Statements 1 and 2 are false.

8. The rate at which commercial banks borrow from the Reserve Bank of India to meet their long-term requirements is known as _____.

(Choose the correct alternative to fill up the blank) (CBSE, 2023)

- (a) Margin requirement
- (b) Bank rate
- (c) Repo rate
- (d) Reverse repo rate

9. Read the following news report carefully: (CBSE, 2023)
“The central bank has imposed fine on Hisar Urban Cooperative Bank Ltd. and Andaman and Nicobar State Cooperative Bank Ltd. for violation of banking norms.”
According to the given report, identify the function of the central bank.
(a) Issue of currency
(b) Banker to the public
(c) Banker to the Government
(d) Banker’s Bank
10. _____ is responsible for issuing ₹1 currency note in India. (Fill in the blank by choosing the correct alternative) (CBSE, 2021)
(A) Reserve Bank of India
(B) Ministry of Commerce
(C) Ministry of Finance
(D) NITI Aayog
11. The process of buying and selling of securities by the Central Bank of a country is known as _____. (Fill in the blank with the correct alternative) (CBSE, 2020)
(A) Margin Requirement
(B) Open Market Operations
(C) Cash Reserve Ratio
(D) Statutory Liquidity Ratio
12. In order to control the money supply in the economy, the Central Bank may _____. (Choose the correct alternative) (CBSE, 2019)
(A) buy securities in the open market
(B) sell securities in the open market
(C) reduce cash reserve ratio
(D) reduce repo rate

13. In a hypothetical economy, Mr. Neeraj has deposited ₹100 in the bank. If it is assumed that there is no other currency circulation in the economy, then the total money supply in the economy will be..... (CBSE SQP, 2021)

- (A) Zero
- (B) ₹100
- (C) Not defined
- (D) ₹120

14. "The value of all goods and services can be expressed in monetary units." On the basis of the given statement, identify the function performed by money. (CBSE SQP, 2023-24)

- (A) Medium of Exchange
- (B) Store of Value
- (C) Unit of Account
- (D) Means of standard of deferred payments

15. Credit creation by commercial banks is determined by: (CBSE 2018)

- (A) CRR
- (B) SLR
- (C) Initial deposit
- (D) All of these

16. Demand deposits include: (CBSE 2017)

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

17. The ratio of total deposits that a commercial bank has to keep with Reserve Bank of India is called: (CBSE 2017)

- (A) SLR

- (B) CRR
- (C) LRR
- (D) Deposit Ratio

18. Which of the following is not a function of Central Bank? (CBSE 2018)

- (A) Banking facilities to government
- (B) Lending to government
- (C) Banking facilities to public
- (D) Lending to commercial bank

19. In order to encourage investment in the economy, the central bank may: (CBSE 2019)

- (A) Reduce CRR
- (B) Increase CRR
- (C) Sell government securities in the open market
- (D) Increase in the bank rate

20. Read the following statements carefully: (CBSE, 2021)

Statement 1: Reserve Bank of India keeps a certain percentage of deposits as reserve to avoid 'too much lending to public'.

Statement 2: The reserve deposit ratio acts as a deterrence to the amount of credit created by the commercial banks.

In light of the given statements, choose the correct alternative from the following:

- (A) Statement 1 is true and Statement 2 is false.
- (B) Statement 1 is false and Statement 2 is true.
- (C) Both Statements 1 and 2 are true.
- (D) Both Statements 1 and 2 are false.

21. is an institution that accept deposits for lending purpose. (Fill up the blank with correct alternative) (CBSE SQP, 2022-23)

- (A) Commercial banks
- (B) Life Insurance Corporation
- (C) Reserve Bank of India

(D) Government of India

22. The total stock of money in circulation among the public..... is called as 'money supply'. (Fill up the blank with correct alternative) (CBSE 2021)

- (A) During a period of time
- (B) During a calendar year
- (C) During a fiscal year
- (D) At a particular point of time

23. Read the following statements:

Assertion (A) and Reason (R). Choose the correct alternative from those given below:

Assertion (A): Notes and coins are the only source of money supply in the economy.

Reason (R): Demand deposits with commercial bank is also a component of money supply.

- (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of the Assertion (A).
- (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of the Assertion (A).
- (C) Assertion (A) is true, but Reason (R) is false.
- (D) Assertion (A) is false, but Reason (R) is true.

24. Read the following statements:

Assertion (A) and Reason (R). Choose the correct alternative from those given below:

Assertion (A): NABARD is the apex bank.

Reason (R): RBI does not deal directly with the public.

- (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of the Assertion (A).
- (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of the Assertion (A).
- (C) Assertion (A) is true, but Reason (R) is false.
- (D) Assertion (A) is false, but Reason (R) is true.

25. High power money is equal to:

- (A) Money supplied by the RBI only
- (B) Total supply of money in the economy
- (C) Notes and coins held by the people
- (D) Money (notes and coins) held by the people, vault cash of the commercial banks as well as Cash reserve of the commercial banks with the RBI.

26. When money value of money exceeds commodity value of money, it is called:

- (A) Full bodied money
- (B) Credit money
- (C) Fiat money
- (D) Fiduciary money

27. Read the following statements: (CBSE, SQP 2023)

Assertion (A) and Reason (R). Choose the correct alternative from those given below:

Assertion (A): Central bank provides loans to the Commercial banks in the situation of financial distress.

Reason (R): Central bank can order the government to help the bank facing the financial crisis.

- (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of the Assertion (A).
- (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of the Assertion (A).
- (C) Assertion (A) is true, but Reason (R) is false.
- (D) Assertion (A) is false, but Reason (R) is true.

28. Under Statutory Liquidity Ratio, Commercial Banks are required to keep a fraction of in form of liquid assets. (CBSE 2020)

- (A) Total Deposits
- (B) Term Deposits
- (C) Total demand and term deposits

(D) Current deposits

29. In the context of commercial bank, which one of the following statements is correct?

- (A) Note issuing authority of the country
- (B) Creates credit on the basis of cash reserve.
- (C) Accepts deposits of the general public
- (D) Both (B) and (C)

30. In India there are four alternative measures of money supply: M1, M2, M3 and M4 of these M1 =

- (A) Currency with people
- (B) Currency with people + Demand deposits
- (C) Currency with people + Demand deposits + other deposits with the Reserve Bank
- (D) None of these

Solutions:

S.N.	Correct Option	S.N.	Correct Option
1	B	16	B
2	C	17	B
3	C	18	C
4	D	19	A
5	A	20	C
6	C	21	A
7	C	22	D
8	B	23	D
9	D	24	D
10	C	25	D
11	B	26	B
12	B	27	C
13	B	28	A
14	C	29	D
15	D	30	C

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