



# INDIAN SCHOOL AL WADI AL KABIR

<b>Class: XII</b>	<b>Department: Commerce</b>
<b>WORKSHEET NO:1</b>	<b>Topic: Money &amp; Banking</b>

1. A farmer exchanges wheat for cloth. This system of exchange is referred to as -----
  - a. Barter
  - b. Monetary Exchange
  - c. Self-consumption
  - d. None of these
2. Money is used as a standard for deferred payments.
  - a. True
  - b. False
  - c. Partially true
  - d. Incomplete statement
3. The main aim of monetary policy is-----
  - a. to bring price stability in the economy.
  - b. employment generation in the country.
  - c. to increase trade surplus.
  - d. to generate greater tax revenue.
4. Value of money multiplier ----- with an increase in Cash Reserve Ratio.
  - a. Increase
  - b. Decrease
  - c. Remain unchanged
  - d. None of these
5. Choose the correct sequence from given below:

<b>Column-I</b>	<b>Column-II</b>
A. Accept deposits	(i) Central Bank
B. Lender of Last resort	(ii) Qualitative instrument
C. Margin requirements	(iii) Quantitative instrument
D. Statutory Liquidity Ratio	(iv) Commercial bank

Choose from the options given below:

- |                        |                        |
|------------------------|------------------------|
| A B C D                | A B C D                |
| a. (i) (ii) (iii) (iv) | b. (ii) (iii) (iv) (i) |
| c. (iii) (iv) (i) (ii) | d. (iv) (i) (ii) (iii) |

6. Money multiplier is equal to:
- 1/CRR
  - 1/SLR
  - 1/LRR
  - None of these
7. What will be the total amount of money created in the system if legal reserve ratio is 20% and primary deposits are Rs.1000?
- Rs. 1000
  - Rs. 2000
  - Rs. 3000
  - Rs. 5000
8. Identify the incorrect statement from given below:
- Present currency can work as money as it is a legal tender.
  - Coins held by the public are limited legal tender.
  - Central bank prints currency in India.
  - Central bank do not deal with general public
9. The process of money creation or credit creation is done by:
- Central Bank
  - Commercial bank
  - World Bank
  - Rural Bank
10. Money which is accepted as a medium of exchange because of the trust between the payer and the payee is called:
- Full bodied money
  - Credit money
  - Fiat money
  - Fiduciary money
11. Money that is issued by the authority of the government is called:
- Full bodied money
  - Credit money
  - Fiat money
  - Fiduciary money
12. Which of the following is the component of M1 measure of money supply?
- Time deposit
  - Demand deposit
  - Cash reserves of the commercial banks
  - None of these
13. Bank money is that money which is:
- Printed by RBI
  - Printed by the government
  - Generated in the form of credit creation
  - None of the above

14. Supply of money is a:
- Flow variable
  - Stock variable
  - Real flow
  - None of these
15. In India, coins are issued by:
- State bank of India
  - Reserve bank of India
  - Ministry of finance
  - Ministry of urban development
16. Which of the following systems is followed by RBI for issuing currency?
- Proportionate system
  - Simple deposit system
  - Minimum reserve system
  - Fixed fiduciary issue system
17. The central bank:
- Is an apex bank
  - Is the sole agency of note –issuing
  - Focuses on stability and growth of the economy
  - All of these
18. The rate at which commercial banks are allowed to park their surplus funds with RBI is called:
- Bank rate
  - Repo rate
  - Currency rate
  - Reverse repo rate
19. Money supply consist of:
- Currency
  - Deposit
  - Both currency and deposits
  - None of the above
20. In India, suppliers of money are:
- Government of the country
  - Banking system of the country
  - Both (a) and (b)
  - None of these
21. Rs. 10 issued by RBI is called:
- Fiat money
  - High powered money
  - Bank money
  - (a) and (b)

### Assertion n Reasoning Questions:

#### Alternatives:

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
  - b. Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)
  - c. Assertion (A) is true, but Reason (R) is false.
  - d. Assertion (A) is false, but Reason (R) is true.
22. **Assertion (A):** Currency held by public is a monetary liability of central bank.  
**Reason (R):** Central bank controls credit, whereas commercial banks create credit with the currency held by public.
23. **Assertion (A):** We can still encounter barter system in modern economic system.  
**Reason (R):** People exchange old clothes for utensils.
24. **Assertion (A):** Central bank as a banker to the government, works as a financial adviser.  
**Reason (R):** Government borrows internally from banks and general public.
25. **Assertion (A):** The currency notes do not carry as much value in it as is denominated, still has general acceptance.  
**Reason (R):** Currency notes are backed by a legal promise from the central bank and central government of the country.
26. What is the value of money multiplier when initial deposits are Rs500crs and LRR is 10%?
27. Explain the components of Legal Reserve Ratio.
28. Do you consider a commercial bank to be 'creator of money' in an economy?
29. Explain the functions of the Central Bank.
30. How do commercial banks create deposits? Explain with a numerical example.

#### CASE BASED:

1.

The Monetary Policy Committee of the Reserve Bank of India kept interest rates on hold Thursday even as it vowed to keep policy sufficiently loose to help revive the coronavirus battered economy. Accepting a key demand of lenders and the corporate sector, the central bank cleared a one-time restructuring of loan accounts to bail out stressed borrowers, including personal, small, and medium loans.

The details of the loan restructuring scheme – expected to kick in after the moratorium on loan repayments ends. August 31 – will be worked out by a committee headed by former ICICI Bank Chairman KV Kamath. The RBI also continued to provide support on the liquidity front and opened a new targeted window for small lenders.

The central bank kept the repo rate unchanged at 4 percent and reduced the reverse repo rate to 3.35 percent.

**Answer the following questions on the basis of the above case:**

1. Suppose you are a member of the Monetary policy Committee of the RBI. You have suggested the ----- of the money supply be ensured to help revive the coronavirus battered economy.
  - a. Restriction
  - b. Release
  - c. Doubling
  - d. No changeA: b
  
2. “The Monetary Policy Committee of the RBI kept interest rates on hold”. Which of the following is highlighted above by the term interest rates?
  - a. Bank Rate and Repo Rate
  - b. Bank Rate and Lending Rate
  - c. Repo Rate and Reverse Repo Rate
  - d. Bank Rate and Reverse Repo RateA: c
  
3. What does the Repo Rate mean?
4. Reduction in Repo Rate by RBI is likely to ----- the demand for goods and services in the economy.
  - a. Increase
  - b. Decrease
  - c. Double
  - d. Not effectA: a

**2.**

Due to Covid – 19, the Reserve Bank of India (RBI), cut Repo Rate to 4.4% the lowest in at least 15 years. Also, it reduced the CRR by 100 basis points. Previously, it was 4%. RBI governor Dr. Shaktikanta Das predicted a big global recession and said India will not be immune. It all depends on how India responds to the situation. Aggregate demand may weaken and ease core inflation.

**Answer the following questions on the basis of the above case:**

1. CRR stands for:
  - a. Cash Reserve Ratio
  - b. Current Reserve Ratio
  - c. Cash Required Rate
  - d. Current Required Rate
  
2. Cut in Repo Rate by RBI is likely to ----- the aggregate demand in the Indian Economy.
  - a. Increase
  - b. Decrease
  - c. Double
  - d. Not effect

3. "Reduced the CRR by 100 basis points. Previously, it was 4%. Thus, CRR is reduced to -----
- a. 5%
  - b. 3%
  - c. 96%
  - d. 104%
4. Besides reduction in CRR and Repo Rate, what other measures can be taken by the Government of India through its budgetary policy to combat recession?
- a. Decrease the bank rate
  - b. Sell government securities in the open market
  - c. Increase margin requirements on secured loans
  - d. Decrease taxes and increase government expenditure