



ECONOMICS

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ECONOMICS (HINGLISH)

MONEY AND BANKING

True Of False Questions With Answers

1. There is no common unit of value in barter system .



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2. Currency created by the Central Bank (RBI) is called bank money



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3. Money supply is a flow concept.



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4. Money is a liquid store of wealth.



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5. Reserve repo rate is the rate at which Central Bank lends funds to banks.



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6. Money supply does not include money held by government and banking system.



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7. Legal Tender money has a legal sanction behind it by the government .



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8. Legal Reserve Ratio (LRR) is that ratio of deposits which banks are legally bound to keep in the form of cash with themselves and with the Central Bank





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9. Money as medium of exchange solves the barter's problem of ' lack of double coincidence of want '



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10. Cash and coins are known as bank money.



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11. RBI produces money while commercial banks increase the supply of money.



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12. CRR and SLR are opposite of each other.



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13. Commercial banks play no role in the stock of money supply in the economy.



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14. Fiat money is the same as Fiduciary money .



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15. Money supply includes demand deposits of the pople with the commerical banks.



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16. All financial institutions are treated as banking institutions.



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Remembering And Understanding Based Questions

1. What is barter exchange ?



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2. How can money be defined ?



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3. What is the main function of money in an economic system ?



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4. What monetary system does India follow ?



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5. What are primary function of money ?



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6. What is a cheque ?



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7. What are secondary function of money ?



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8. What is money supply ?



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9. What are two components of supply of money ?



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10. What is credit money ?



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11. Who are the producers of money ?



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12. What is a commercial bank?



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13. Define a Central Bank .



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14. Define primary deposits.



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15. What are secondary deposits ?



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16. What are the functions of a Commercial Bank ?



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17. What are measures of money supply ?



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18. Define margin requirement. What is its role in supply of money ?



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19. What is meant by LRR ? State its components.



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20. What is meant by overdraft facility ?



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21. What is the difference between Repo Rate, Bank Rate and Reverse Repo Rate ?



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Hots And Applicable Based Questions With Answers

1. Why are financial insitutions like UTI and LIC not considered banks ?



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2. What is high Powered Money ?



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3. Name three problems of barter system.



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4. What function of money solves the barter's problem lack of double coincidence ?



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5. Distinguish between face value of money and intrinsic (commodity) value of money .



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6. What is meant by liquidity of an asset?
Which of demand deposits and time deposits are more liquid and why ?



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7. Is credit card a form of money ? Give reasons for you answer.



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8. Why people accept cheques when these are not legal tender ?



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9. Whether or not the following measures taken by RBI will increase the money supply ?

(i) Increase in Repo rate (ii) Decrease in Cash Reserve Ratio (CRR) (iii) Purchase of securities in the open market (iv) Increase in Margin Requirement.



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10. In what respect Central Bank is different from a commercial Bank ?





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11. Distinguish between loan and overdraft .



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12. How has introduction of money separated the acts of sale and purchase ?



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Evaluation Based Question With Answer

1. When the barter system was in use , a merchant had to incur cost in the absence of money. What were those costs ?



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2. Why is only a small percentage to total deposits kept by banks as reserves ?



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3. Excess money supply is necessary for economic development but it also creates inflationary situation. Suggest any two monetary measures to control inflationary situation.



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4. Currency is issued by central bank yet we say that commercial banks create money. Explain, How is this money creation by

commercial banks likely to affect the national income?



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5. Reserve Bank of India has reduced CRR from 4.25% to 4%. Will this step help in controlling inflation in India ? Name any one value violated in the question.



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6. Govt. of India has recently launched 'Jan Dhan Yojna' aimed at every household in the country to have at least one bank account. Explain how deposits under the plan are going to affect national income of the country.



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7. A cloth mill wishes to pay compensation to its employees in the form of its product i.e., cloths. But employees want their

compensation in cash, not in kind. Why is the compensation more convenient in the form of money (cash) than in cloth ?



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8. Can how interest rates benefit the government ? If yes, how ?



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9. RBI' has reduced Bank Rate from 7.25% to 6.75% on 29th Sept. , 2015 . '(The Economic Times) Analyse its economic value from viewpoint of (i) Household , (ii) Investor and (iii) Economy .



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Cross Check Very Short Answer Questions

1. What is barter system ?



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2. What is bank money ?



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3. What is credit money ?



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4. What is money supply ?





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5. Define a bank .



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6. What is the main function of money ?



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7. What is meant by a Commercial bank ?





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8. What is the Central Bank ?



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9. What do you understand by liquidity of money ?



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10. What is the name of Central Bank in India ?



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11. Define bank rate .



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12. Define repo rate .



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13. What is reverse repo rate



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14. Name the primary functions of money



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15. Name two secondary functions of money



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16. Give meaning of money.



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17. What is high Powered Money ?



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18. What are demand deposits ?



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19. What are time deposits



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Short Answer Question Of 3 4 Marks Each

1. Explain money as a medium exchange .



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2. What is meant by lack of double coincidence of wants ?



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3. Money is what money does'. Explain.



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4. Describe three inconveniences of barter with examples..



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5. Are total quantity of money in circulation and supply of money equal ? If not, why



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6. Explain four advantages or uses of money ?



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7. What is meant by by banker's bank' function of Central bank ?



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8. What are the various money stock measures ?



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9. Explain 'lender of last resort's function of Central Bank ?



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10. How does money solve central problem of double coincidence of wants?



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11. Explain High Powered money .



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12. Describe two components of money supply.



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13. Is credit card a form of money ? Give reasons for you answer.



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14. In what respect Central Bank is different from a commercial Bank ?



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15. Explain function of money as a Unit of Account/ Measure of Value. How has it solved the related problem of barter ?



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16. Explain medium of exchange function of money. How has it solved the related problem of barter ?



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17. Explain the distinction between Statutory Liquidity Ratio and Legal Reserve Ratio.



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18. Currency is issued by central bank yet we say that commercial banks create money. Explain, How is this money creation by commercial banks likely to affect the national income?



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19. Explain standard of deferred payment function of money. How has it solved related problem of barter ?





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20. Explain store of value function of money .



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21. Explain ' bank of issue' function of the central Bank.



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22. Explain 'Banker to the government' function of the central bank .



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23. Explain 'Bankers' bank' function of the central bank.



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24. Currency is issued by central bank yet we say that commercial banks create money. Explain, How is this money creation by commercial banks likely to affect the national income? Explain.



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25. Explain 'difficulty in storing wealth' problem faced in barter system of exchange .



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Long Answer Questions

1. Define a Central Bank. What are the function of Central Bank ?



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2. Explain the process of money creation by commercial bank with the help of a numerical examples .



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3. How does Central Bank control the supply of money in an economy ?



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4. How is money creation by commercial bank likely to affect national income ?



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5. How has introduction of money separated the acts of sale and purchase ?



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6. Explain 'Banker to the government' function of the central bank .



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7. Explain ' Issue of Currency ' Function of Central Bank.



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8. How does a Central bank control availability of credit by open market operations ?



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9. What is meant by CRR ? How does it create money supply in the country ?



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10. How has money solved the problem of barter ?



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11. Explain ' lender of last resort ' function of central Bank .



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12. Can low interest rates benefit the government ? If yes, how ?



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13. Government of India has recently launched 'Jan- Dhan Yojna' aimed at every household to have at least one bank account. Explain how deposits made under the plan are going to affect national income of the country.



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14. State the meaning and components of money supply.



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15. Explain the role of reverse repo rate in controlling money supply .



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