



ECONOMICS
CHAPTER 2
MONEY AND BANKING
CLASS XII
QUESTION BANK

MULTIPLE CHOICE QUESTIONS

Q1) Central Bank is an

- (a) Regional bank
- (b) Apex bank
- (c) Commercial bank
- (d) Rural bank

Q2) Money is a medium of

- (a) Barter
- (b) Speculation
- (c) Communication
- (d) Exchange

Q3) The functions of money is that it is a

- (a) Store of stocks
- (b) Store of currency
- (c) None of the above
- (d) Store of value

Q4) Money overcomes the problems of barter system.

- (a) Yes

- (b) Can't say
- (c) Sometimes
- (d) No

Q5) One of the measures of money supply is

- (a) N1
- (b) P1
- (c) M1
- (d) O1

Q6) The process of money creation or credit creation is done by

- (a) Rural bank
- (b) Central bank
- (c) commercial banks
- (d) World bank

Q7) Money is something that is

- (a) Accepted by banks
- (b) Locally accepted
- (c) Regionally accepted
- (d) Universally accepted

Q8) Barter system is

- (a) Exchange of foreign exchange
- (b) Exchange of money
- (c) Exchange of trade
- (d) Exchange of goods

Q9) One drawback of barter exchange is

- (a) Lack of double coincidence of wants

(b) Lack of coincidence of wants

(c) Lack of trust

(d) Lack of goods

Q10) What do you mean by credit creation by commercial banks?

(a) It is the process of creation of foreign exchange

(b) It is the process of loan creation

(c) It is the process of total withdrawal creation

(d) It is the process of total deposit creation

Q11. Who signs in one rupee note in India?

(a) RBI Governor

(b) Government

(c) Finance Secretary

(d) None of Above

Q12. Commercial Bank are those banks which are?

(a) gives Loan to people

(b) accepting money from public

(c) Credit Creation

(d) All of Above

Q13. What is the formula of Credit Creation?

(a) $1/CRR$ (Initial Deposit)

(b) $1+CRR$ (Initial Deposit)

(c) $1-CRR$ (Initial Deposit)

(d) None of Above

Q14. Who can issue one rupee note in India?

(a) RBI Governor

(b) Government

(c) Finance Secretary

(d) Finance Ministry

Q15. Credit Control by?

- (a) RBI Bank
- (b) Commercial Bank
- (c) Government
- (d) Finance Ministry

SHORT ANSWER TYPE QUESTIONS

Q.1. What are demand deposits?

Q.2. Define cash reserve ratio.

Q.3. Define money supply.

Q.4. State the components of money supply.

Q.5. Define Bank Rate.

Q.6. What is a Central bank?

7. what is barter system?

8. what is money?

9. What are primary functions of money?

10. What are secondary functions of money?

11. Is money supply a stock or flow?

12. Define money creation?

13. What is meant by statutory liquidity ratio?

14. What will be the effect of a rise in bank rate on money supply?