

1. The system, wherein trade can be carried out through the exchange of goods and services is called the: –

- a) Barter system
- b) Monetary system
- c) Goods system
- d) None of the above

Answer

---

2. Aman, a vegetable seller, exchanged 4 apples with Rahul, a cloth dealer for 1 meter of cloth. This is an example of: –

- a) Barter system
- b) Monetary system
- c) Goods system
- d) None of the above

Answer

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3. Which of the following, solves the problem of "Double coincidence of wants"?

- a) Goods
- b) Banks
- c) Money
- d) All of the above

Answer

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4. The problem of "Double coincidence of wants" is solved by which of the following: –

- a) Goods
- b) Money
- c) Banks
- d) All of the above

Answer

---

9. Money, comprises of which of the following, which assist in conducting business transactions: – contains:

- a) Coins
- b) Currency notes
- c) Cheques
- d) All of the above

Answer

---

10. Money supply is which \_\_\_\_\_ concept?

- a) Stock
- b) Flow
- c) Monetary
- d) None of the above

Answer

---

#### MCQs on Money and Banking Term 1 Macroeconomics Class 12

11. The supply of Money is a: –

- a) Flow Concept
- b) Stock Concept
- c) Monetary Concept
- d) None of the above

Answer

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12. Which function of money, removes the problem of double coincidence of wants?

- a) Measure of value
- b) Medium of exchange
- c) Store of value
- d) None of the above

Answer

---

5. Double coincidence of wants refers to the \_\_\_\_\_ fulfillment of \_\_\_\_\_ wants of the buyer and seller: –

- a) Simultaneous; Mutual –
- b) Sequential; Mutual
- c) Mutual; simultaneous
- d) Mutual; Sequential

Answer

---

6. A owns a camel that he wants to trade for a goat. However, there are no sellers of goats in the market. This is an example of: –

- a) Lack of Double coincidence of wants
- b) Existence of Double coincidence of wants
- c) Simultaneous coincidence of wants
- d) Sequential coincidence of wants

Answer

---

7. Which of the following is a function of money?

- a) Medium of exchange
- b) Store of value
- c) Measure of value
- d) All of the above

Answer

---

8. Which of the following is the thing that is generally accepted by everyone as a medium of exchange?

- a) Money
- b) Goods
- c) Services
- d) None of the above

Answer

---

13. In the present world, the act of purchase of goods, and sale of goods have been separated due to the existence of money. This has been facilitated by which of the following functions of money: –

- a) Measure of value
- b) Medium of exchange
- c) Store of value
- d) None of the above

Answer

---

14. Which function considers the value of the money in one unit?

- a) Medium of exchange
- b) Measure of value
- c) Store of value
- d) Standard for deferred payments

Answer

---

15. Which function allows the payment to be delayed till future date?

- a) Medium of exchange
- b) Measure of value
- c) Store of value
- d) Standard of deferred payments

Answer

---

16. Money acts as a common denomination to express the exchange ratio of goods. This has been facilitated by which of the following functions of money: –

- a) Medium of exchange
- b) Measure of value
- c) Store of value
- d) Standard Measure

Answer

---

17. Which of the following is not a measure of money supply ?

- a) M1
- b) M0
- c) M2
- d) M4

Answer

---

18. Which of the following aspects are true about the money supply : –

- a) It is the total volume of money held by public
- b) Such money is held at a particular point of time
- c) The money is held in an economy
- d) All of the above

Answer

---

19. Which of the following is not a feature of money supply ?

- a) It includes money held by public
- b) It includes money held by banks
- c) It is a stock concept
- d) All of the above

Answer

---

20. Which of the following is the most liquid form of money supply ?

- a) M1
- b) M2
- c) M3
- d) M4

Answer

---

#### Money and Banking Class 12 MCQ with Answers

25. High powered money is the money which is produced by

- a) RBI
- b) Government
- c) Commercial banks
- d) Both (a) and (b)

Answer

---

#### Money and Banking Class 12 MCQ with Answers

26. Government \_\_\_\_\_ RBI, produce High powered money .

- a) And
- b) Or
- c) Nor
- d) Both (a) and (b)

Answer

---

27. Which of the following is not included in high powered money ?

- a) Currency held by public
- b) Cash reserves held by banks
- c) Demand deposits with banks
- d) None of the above

Answer

---

28. M1 consists of, which of the following : –

- a) Currency held by public
- b) Demand deposits with commercial banks
- c) Other deposits with RBI
- d) All of the above

Answer

---

21. Which of the following is the most liquid and least liquid form of money supply, in that order ?

- a) M1 : M4
- b) M2 : M4
- c) M3 : M4
- d) M4 : M1

Answer

---

22. Which of the following is the least liquid form of money supply ?

- a) M1
- b) M2
- c) M3
- d) M4

Answer

---

23. M1 and M2 makes make up

- a) Narrow money supply
- b) Broad money supply
- c) Broken money supply
- d) None of the above

Answer

---

24. M3 and M4 makes make up

- a) Narrow money supply
- b) Broad money supply
- c) Broken money supply
- d) None of the above

Answer

---

29. M1 excludes which of the following : –

- a) Currency held by public
- b) Demand deposits with commercial banks
- c) Other deposits with RBI
- d) None of the above

Answer

---

30. Which of the following statement is correct ?

- a)  $M3 = M1 + \text{Net time deposits with banks}$
- b)  $M3 = M2 + \text{savings with post office}$
- c)  $M3 = M2 + \text{net time deposits with bank}$
- d)  $M2 = M3 + \text{currency held with banks}$

Answer

---

#### Money and Banking MCQs with Answers for Class 12

31. Which of the following is not a Commercial Bank ?

- a) State bank of India ;
- b) Punjab National Bank ;
- c) RBI ;
- d) Canara Bank .

Answer

---

32. Which of the following is not the primary function of commercial banks?

- a) Accepting deposits
- b) Advancing loans
- c) Both (a) and (b)
- d) None of the above

Answer

---

33. The difference between two interest rates is called : –

- a) Spread
- b) Margin
- c) Profit
- d) None of the above

Answer

---

34. The fraction of deposits to be kept by the bank, which cannot be given as loans is called

- a) CRR
- b) SLR
- c) LRR
- d) None of the above

Answer

---

35. Money multiplier is also known as

- a) Credit multiplier
- b) Deposit multiplier
- c) Both (a) and (b)
- d) None of the above

Answer

---

36. If LRR is 20%, what is the money multiplier?

- a) 2
- b) 10
- c) 5
- d) 4

Answer

---

37. What are the total deposits if LRR is 25% and initial deposits are Rs. 100000?

- a) 250000
- b) 500000
- c) 400000
- d) 800000

42. If initial deposits are Rs. 500 and LRR is 10%, what is money multiplier?

- a) 2
- b) 20
- c) 10
- d) 1

Answer

---

43. LIC and UTI are not banks because:

- a) They do not advance loans
- b) They do not accept deposits
- c) They neither accept deposits nor advance loans
- d) None of the above

Answer

---

44. Which of the following is not a function of Central Bank ?

- a) Accept deposits
- b) Custodian of foreign exchange
- c) Bank of issue
- d) Supervision

Answer

---

45. Which of the following is an apex body for banking system in India?

- a) SBI
- b) Private Banks
- c) Central Banks
- d) None of the above

Answer

---

46. What does the Central Bank do?

- a) Regulates the banking system
- b) Operates the monetary system

Answer

---

38. Which of the following equations is true?

- a) Initial deposits = Total deposits x Money multiplier
- b) Total deposits = Initial deposits x Money multiplier
- c) Total deposits = Initial deposits + Money multiplier
- d) Initial deposits = Total deposits LRR

Answer

---

39. Why do banks only keep a fraction of deposits ?

- a) All depositors do not withdraw at the same time
- b) There is constant flow of deposits in economy
- c) Both (a) and (b)
- d) None of the above

Answer

---

40. Commercial banks work for the purpose of

- a) Welfare
- b) Earning profit
- c) Both (a) and (b)
- d) None of the above

Answer

---

#### Money and Banking Class 12 Economics MCQ with Answers

41. Which of the following is not a bank?

- a) PNB
- b) SBI
- c) LIC
- d) None of the above

Answer

---

c) Controls the banking system

d) All of the above

Answer

---

47. Which of the following is the Central Bank of India?

- a) RBI
- b) LIC
- c) SBI
- d) UTI

Answer

---

48. Which of the following is the Central Bank of USA?

- a) RBI
- b) World Bank
- c) Union Bank
- d) Federal Reserve System

Answer

---

49. Which function of RBI leads to uniformity in note circulation ?

- a) Bank of issue
- b) Custodian of cash reserve
- c) Controller of money supply
- d) Banker's bank

Answer

---

50. RBI has the sole authority to issue currency in India. Which of the following functions is highlighted here ?

- a) Custodian of cash reserve
- b) Bank of issue

- c) Banker's bank
- d) Controller of credit

Answer

---

**Money and Banking Class 12 Multiple Choice Questions**

51. Which of the following is an advantage of "Bank of issue" ?
- a) Brings uniformity in note circulation
  - b) Ensures public faith in currency system
  - c) Stabilization in external and internal value of currency
  - d) All of the above

Answer

---

52. Central bank acts as : –
- a) An Agent
  - b) A Banker
  - c) A Financial advisor
  - d) All of the above

Answer

---

53. By carrying out all the banking activities , Central Bank acts as
- a) Banker to the Government
  - b) Banker to the people of the Country
  - c) Banker to the Private companies
  - d) None of the above

Answer

---

54. By managing the responsibility of public debt, Central Bank acts as
- a) A Banker

58. Read the following statement given below and choose the correct alternative
- Statement 1- Bank is a financial institution which performs only one function i.e. To grant loans and advances
- Statement 2- Bank is only commercial in nature.
- a) Both are correct
  - b) Both are wrong
  - c) Only 1 is correct
  - d) Only 2 is correct

Answer

---

59. Read the following statement given below and choose the correct alternative
- Statement 1- In ancient time people didn't use money for exchanging commodities
- Statement 2- Barter system is the system of exchange of goods for goods.
- a) Only 1 is correct
  - b) Only 2 is correct
  - c) Both are wrong
  - d) Both are correct

Answer

---

60. Read the following statement given below and choose the correct alternative
- Statement 1- Loss of value was the major demerit of Barter system
- Statement 2- There was a problem of storage in barter system
- a) Both are correct
  - b) Both are wrong
  - c) Only 2 is correct
  - d) None of the above

Answer

---

- b) An Agent
- c) A Financial advisor
- d) None of the above

Answer

---

55. By advising the Government from time to time, Central Bank acts as a
- a) A Banker
  - b) An Agent
  - c) A Financial advisor
  - d) None of the above

Answer

---

56. Read the following statement and choose the correct alternative
- Statement 1- Anything which is generally accepted as a medium of exchange, measure of value and standard of deferred payment is called money
- Statement 2- Amount of money held by public and circulated at any period of time is called money supply
- a) Both are correct
  - b) Both are wrong
  - c) Only 1 is correct
  - d) Only 2 is correct

Answer

---

57. Read the following statement given below and choose the correct alternative
- Statement 1- Currency includes deposits of foreign bank
- Statement 2- Demand deposit is payable on demand by bank.
- a) Only 1 is correct
  - b) Only 2 is correct
  - c) Both are correct
  - d) None of the above

Answer

---

**Class 12th Money and Banking MCQs with Answers**

61. Match the following

Column A	Column B
A. Function of money	(1) Function of central bank
B. Currency and net demand deposit	(2) Quantity of deposit $\times$ 1/LRR
C. Control of credit	(3) Liquidity and uniformity of value
D. Total quality of money created	(4) Measures of money supply in India

- a) A-2,B-3,C-4,D-1
- b) A-3,B-4,C-1,D-2
- c) A-3,B-2,C-1,D-4
- d) A-2,B-4,C-3,D-1

Answer

---

62. Match the following

Column A	Column B
A. 1/LRR	1. Creation of demand deposit with the help of initial deposit
B. Margin requirement	2. Currency+Demand deposit+Other deposit
C. Credit creation	3. Difference between value of security and loan granted against it

D. Money supply

4. Money Multiplier

- a) A-4,B-3,C-2,D-1
- b) A-3,B-4,C-1,D-2
- c) A-4,B-3,C-1,D-2
- d) A-2,B-1,C-4,D-3

[Answer](#)

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63. "Sales and purchase of foreign exchange has increased tremendously".

Choose the correct reason for the statement

- a) Increase in international trade
- b) Due to globalisation
- c) Usefulness of banks
- d) All of the above

[Answer](#)

---

64. "Central bank is an apex bank in the economy". Choose the correct reason for the above statement

- a) It controls the entire banking system
- b) It regulates other banks
- c) Supervisor of commercial banks
- d) All of the above

[Answer](#)

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65. Central Bank of India

- a) State Bank of India
- b) Reserve bank of India
- c) Central Bank of India
- d) ICICI

[Answer](#)

---

70. Medium of exchange and measure of value comes under which function of money

- a) Formal function
- b) Fiscal function
- c) Primary function
- d) Monetary function

[Answer](#)

---

#### Money and Banking Class 12 MCQ with Answers

71. Deferred payment refers to those payments which are;

- a) Not made at any point of time
- b) Promised to be made in the future
- c) Made through cheques
- d) All of the above

[Answer](#)

---

72. Read the following statement

Assertion (A) – HDFC is a commercial bank

Reason(R) – It accepts deposits and grants loan

- a) Both assertion and reason are true. Reason is the correct explanation of assertion
- b) Both assertion and reason are true. Reason is not the true explanation of assertion
- c) Both are wrong
- d) Assertion is true but reason is wrong

[Answer](#)

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73. Read the following statement

Assertion (A)- RBI is known as issuing authority.

Reason (R) - It has the monopoly power of issuing Currency.

- a) Both assertion and reason are true. Reason is not the correct explanation of assertion
- b) Both assertion and reason are true. Reason is the correct explanation of assertion
- c) Reason is true but assertion is not
- d) None of the above

66. Sole authority to issue currency

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

[Answer](#)

---

67. Under barter system goods were exchanged with

- a) Cash Currency
- b) Coins
- c) Goods
- d) Services

[Answer](#)

---

68. Sameer wants 6 pencils in exchange for a book from vikram. But Vikram isn't agreeing to this condition. This is the example of

- a) Barter system
- b) Lack of double coincidence of wants
- c) Lack of common measurement
- d) All of the above

[Answer](#)

---

69. Functions of money are broadly classified into ;

- a) Long term and short term
- b) Primary and secondary
- c) Formal and informal
- d) None of the above

[Answer](#)

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[Answer](#)

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#### Money and Banking Class 12 MCQ with Answers

74. RBI uses which of the following tools to maintain the flow of money in domestic economy

- a) Quantitative measures
- b) Qualitative measures
- c) Fiscal measure
- d) Both (a) and (b)

[Answer](#)

---

75. Legal reserve requirement is the sum of ;

- a) CRR and SLR
- b) Money multiplier and LRR
- c) Total deposit and Initial deposit
- d) All of the above

[Answer](#)

---

76. RBI is the bank of government as

- a) It acts as banker
- b) It acts as a agent
- c) It acts as advisor
- d) All of the above

[Answer](#)

---

77. RBI regulates banks by

- a) Issuing or cancelling license
- b) By merging
- c) Supervising time to time
- d) All of the above

[Answer](#)

78. Credit creation works on which of the following assumptions

- a) All banks are considered single unit
- b) All transactions are channelled through bank in cheque
- c) Both (a) and (b)
- d) None of the above

[Answer](#)

**Read the Case study given below and answer the following questions.**

The central bank of India , RBI is the apex association that controls the entire money related market. One of its critical limits is to stay aware of the hold of new exchange and keep up with the save of foreign trade. In like manner, it intercedes in the new exchange market to settle the outrageous difference the new transformation scale. As such, the public bank's should control a country's economy through monetary methodology; if the economy is moving steadily or moving backward, there are steps that the public bank can take to help the economy. These methods, whether or not they are asset purchases or printing more money, all incorporate mixing more cash into the economy. The essential natural market monetary projection occurs and money will deteriorate.

79. RBI uses which of the following tools to maintain the flow of money in domestic economy

- a) Quantitative measures
- b) Qualitative measures
- c) Fiscal measure
- d) Both (a) and (b)

[Answer](#)

80. Capacities of RBI reaches to;

- a) Hold of foreign exchange reserves
- b) Holding foreign trade
- c) Holding Country's economy
- d) All of the above

[Answer](#)

## Part B: Indian Economic Development

**Development Experience (1947-90) and Economic Reforms since 1991:-  
12 Marks**

81. RBI is the bank of government as

- a) It acts as banker
- b) It acts as a agent
- c) Both (a) and (b)
- d) None of the above

[Answer](#)

82. RBI regulates banks by

- a) Issuing or cancelling license
- b) By merging
- c) Supervising time to time
- d) All of the above

[Answer](#)

83. The whole monetary market is controlled by (choose the correct alternative)

- a) Government
- b) RBI
- c) Both government and RBI
- d) None of the above

[Answer](#)

## CBSE Class 12 Economics Term 1 MCQ Based Questions

### Part A: Introductory Macroeconomics

- Money and Banking Class 12 MCQs – 6 Marks
- [Government Budget and the Economy – 6 Marks](#)
- [Balance of Payments Class 12 MCQs – 6 Marks](#)
- [Foreign Exchange Rate MCQs](#)