

DELHI PUBLIC SCHOOL JAMMU

Assignment on Money and Banking

Class: XII

Sub: Economics

1. **Which of the following is a step that the central bank will take to encourage greater investment in the economy?**
- It will look to increase the cash reserve ratio
 - It will look to reduce the cash reserve ratio
 - It will look to increase the bank rate
 - It will look to sell the government securities in the open market

Answer: b

2. **Which of the following is a step that the central bank will take to increase the overall availability of credit?**
- It will sell the government securities in the market
 - It will buy more government securities from the market
 - It will raise the reverse repo rate
 - It will raise the repo rate

Answer: a

3. **Which of the following statements is true about the Indian monetary system?**
- The Indian monetary system is based on the gold standard
 - The Indian monetary system is based on the credit money standard
 - The Indian monetary system is based on the paper standard
 - The Indian monetary system is based on the metallic standard

Answer: c

4. **Which of the following statements represents the main function of the central bank in a country?**
- It is responsible for the regulation over the supply of money in the market
 - It is responsible for the issuance of notes within the country
 - It acts as a banker both to the government and to other banks in the country
 - All of the above

Answer: d

5. **Which of the following statements is true about demand deposits?**
- It includes both fixed deposits and current account deposits
 - It includes both savings account deposits and fixed deposits
 - It includes both current account deposits and savings account deposits

- d. It includes fixed deposits, current account deposits and savings account deposits

Answer: c

6. **Which of the following statements is true about the central bank?**
- a. It regulates the entire banking system in the country
 - b. It is under the ownership of the central government of a country
 - c. It is the apex bank of a country
 - d. All of the above

Answer: d

7. **Which of the following statements about the bank rate is true?**
- a. Bank rate is different from interest rate
 - b. Bank rate is the discount rate provided by the central bank of a country
 - c. Bank rate is defined as the rate at which the central bank of a country gives credit to the commercial banks
 - d. All of the above

Answer: d

8. **Which of the statements gives a true picture of the effect of the central bank selling securities in the market?**
- a. The credit creation capacity of commercial banks will fall
 - b. The credit creation capacity of commercial banks will rise
 - c. The credit creation capacity of commercial banks may rise or fall
 - d. There is no effect on the credit creation capacity of commercial banks

Answer: a

9. **Which of the statements gives a true picture of the effect of lowering the cash reserve ratio by the central bank of a country?**
- a. The lending capacity of commercial banks will increase
 - b. The lending capacity of commercial banks will decrease
 - c. The lending capacity of commercial banks may increase or decrease
 - d. There is no effect on the lending capacity of commercial banks

Answer: a

10. **Which of the statements gives an accurate picture of the effect of the rise of the reverse repo rate by the central bank of a country?**
- a. The demand for goods and services in the country will decrease
 - b. The demand for goods and services in the country will increase
 - c. The demand for goods and services in the country may increase or decrease
 - d. There is no effect on the demand for goods and services in the country

Answer: a

11. Which of the statements gives an accurate picture of the effect of the increase in the repo rate?
- The money supply in the country will decrease
 - The money supply in the country will increase
 - The money supply in the country will increase initially and then decrease
 - There is no effect on the money supply in the country

Answer: a

12. Which of the following statements is true about credit creation by banks?
- Banks create credit on the basis of their total assets
 - Banks create credit on the basis of their total deposits
 - Banks create credit on the basis of their total securities
 - Banks create credit out of nothing

Answer: b

13. Which of the following is not the function of the central bank of a country?
- Being the custodian of foreign exchange reserves
 - Accepting deposits from the general public
 - Both a and b are correct
 - Both a and b are incorrect

Answer: b

14. Which agency regulates the money supply in India?
- The Government of India
 - Commercial banks
 - Reserve Bank of India
 - None of the above

Answer: c

15. Which of the following statements is true about the money supply?
- It is the total volume of money that is held by the government of a country
 - It is the total volume of money that is held by the general public of a country over a time period
 - It is the total volume of money that is held by the general public of a country at a particular point in time
 - All of the above