

MAJOR TEST [2022-2023]

ECONOMIC (030)

CLASS-12

TIME: 3 HOURS

M.M.:80

GENERAL INSTRUCTIONS:

1. This question paper contains two sections:

Section A- Money

Section B- Banking

2. All questions are MANDATORY.

| Q.NO. | SECTION – A MONEY | MARKS |
|-------|---|-------|
| 1. | Which of the following is a commonly accepted definition of money? a) Any good which is commonly used as a store of value b) Any good which is exchanged for gold at a fixed rate c) Any good which is acceptable to a bank d) Any good which is commonly accepted as a medium of exchange. | 1 |
| 2. | Double coincidence of wants refers to the _____ fulfilment of _____ wants of the buyer and seller. a) Sequential; mutual b) Mutual; simultaneous c) Simultaneous; mutual d) Mutual; sequential | 1 |
| 3. | What are the total deposits if LRR is 25% and initial deposits are Rs. 100000? a) 250000 b) 400000 c) 500000 d) 800000 | 1 |
| 4. | When money value of money exceeds commodity value of money, it is called: a) Full bodied money b) Fiat money c) Fiduciary money d) Credit money | 1 |

| 5. | Which of the following is a commonly accepted definition of money? a) Any good which is commonly used as a store of value b) Any good which is accepted to a bank c) Any good which is commonly accepted as a medium of exchange d) Any good which is exchange for gold at a fixed rate | 1 | | | | | | | | | | | | |
|--------------------|--|------------------------|-----------|---------------|------------|--------|-----------------------|-------------------|--------------------|--------------------|---------------------------------|--------------------|--------------------|---|
| 6. | Identify the correct sequence of alternatives given in column II by matching them with respective items in column I: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">COLUMN I</th> <th style="width: 50%;">COLUMN II</th> </tr> </thead> <tbody> <tr> <td>a) Government</td> <td>i) cheques</td> </tr> <tr> <td>b) RBI</td> <td>ii) supplier of money</td> </tr> <tr> <td>c) Notes and coin</td> <td>iii) legal tenders</td> </tr> <tr> <td>d) Supply of money</td> <td>iv) principal supplier of money</td> </tr> <tr> <td>e) Fiduciary money</td> <td>v) a stock concept</td> </tr> </tbody> </table> | COLUMN I | COLUMN II | a) Government | i) cheques | b) RBI | ii) supplier of money | c) Notes and coin | iii) legal tenders | d) Supply of money | iv) principal supplier of money | e) Fiduciary money | v) a stock concept | 5 |
| COLUMN I | COLUMN II | | | | | | | | | | | | | |
| a) Government | i) cheques | | | | | | | | | | | | | |
| b) RBI | ii) supplier of money | | | | | | | | | | | | | |
| c) Notes and coin | iii) legal tenders | | | | | | | | | | | | | |
| d) Supply of money | iv) principal supplier of money | | | | | | | | | | | | | |
| e) Fiduciary money | v) a stock concept | | | | | | | | | | | | | |
| 7. | Explain briefly the evolution of money? | 3 | | | | | | | | | | | | |
| 8. | Classify the money on the basis of relationship between the value of money as money and the value of money as commodity? | 3 | | | | | | | | | | | | |
| 9. | Explain the difficulties of barter system. | 4 | | | | | | | | | | | | |
| 10. | Defend and refute the statement giving reasons: a) Money is a useful measuring rod of value only If the value of money itself remains constant. b) Money is called as bearer of option or generalised purchasing power. | 2 + 2 | | | | | | | | | | | | |
| 11. | Explain the primary and secondary functions of money. | 4 | | | | | | | | | | | | |
| 12. | a) What is the difference between fiat money and fiduciary? b) What is meant by the supply of money? | 3+ 3 | | | | | | | | | | | | |
| 13. | State the factors which affects the money supply in an economy. OR a) Explain the four measures of money supply adopted by RBI. b) Why does it is more convenient to store value in terms of money in comparison to other goods? | 6 OR 3 + 3 | | | | | | | | | | | | |
| Q.NO. | SECTION-B BANKING | MARKS | | | | | | | | | | | | |

| | | |
|-----|--|---|
| 14. | <p>Maximum credit that the commercial banks can legally create is indicated by:</p> <p>a) $1 \div \text{CRR} \times \text{Cash reserves with the RBI}$</p> <p>b) $1 \div \text{CRR} \times \text{Total deposits}$</p> <p>c) $1 \div \text{SLR}$</p> <p>d) $1 \div \text{CRR} \times 1 \div \text{Cash reserves with the RBI}$</p> | 1 |
| 15. | <p>Reverse repo rate:</p> <p>a) Is not a policy rate</p> <p>b) Generates interest income</p> <p>c) Is increased to curb inflation</p> <p>d) Both (b) and (c)</p> | 1 |
| 16. | <p>Credit control means:</p> <p>a) Extension of credit only</p> <p>b) Extension and contraction of money supply</p> <p>c) Contraction of credit only</p> <p>d) None of these</p> | 1 |
| 17. | <p>Read the following statement given below and choose the correct alternative</p> <p>Statement 1 : Bank is a financial institution which performs only one function i.e. To grant loans and advances</p> <p>Statement 2 : Bank is only commercial in nature</p> <p>a) Both are correct</p> <p>b) Both are wrong</p> <p>c) Only 1 is correct</p> <p>d) Only 2 is correct</p> | 1 |
| 18. | <p>Read the following statement</p> <p>Assertion (A) HDFC is a commercial bank</p> <p>Reason (R) It accepts deposits and grants loan</p> <p>a) Both assertion and reason are true. Reason is the correct explanation of assertion</p> <p>b) Both assertion and reason are true. Reason is not the true explanation of assertion</p> <p>c) Both are wrong</p> <p>d) Assertion is true but reason is wrong</p> | 1 |
| 19. | <p>Identify the correct sequence of alternatives given in column II by matching them with respective items in column I :</p> | 5 |

| | COLUMN I | COLUMN II | |
|-----|--|---|------------------|
| | a) CRR b) Money multiplier c) Repo rate d) Demand e) Central bank | i) An apex bank of the country ii) $1 \div \text{CRR} \times \text{Cash reserves}$ iii) Repurchase rate iv) fixed by the RBI v) $1 \div \text{CRR}$ | |
| 20. | Saving account is included in time deposit or demand deposits ? why? OR State some general utility services of commercial banks? | | 3 |
| 21. | What is meant by open market operation and how does the central bank uses it to control the credit creation? | | 3 |
| 22. | Read the following statements carefully. Write true or false with a reason. 1) During periods of depression, commercial banks are advised to follow dear money policy. 2) Market rate of interest tends to be positively related to the bank rate. | | 2 + 2 |
| 23. | Explain the primary functions of commercial banks? OR Explain the functions of central banks. | | 4 |
| 24. | Explain the qualitative measures of central bank to control the credit creation? | | 4 |
| 25. | State the basic difference between quantitative and qualitative instruments of credit control. Give suitable examples. | | 6 |
| 26. | Explain the process of money creation by commercial banks? OR a) why does LIC, UTI and IDBI are not considered as banks ? b) what is meant by over drafting? c) what is the difference between cash credit and term loans? | | 6 Or 2+2+2 |