



GRADE 12TH MATHS

Money and Banking- Test

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Money and Banking Class 12 MCQ (Multiple choice questions)

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

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

2. Which of the following, solves the problem of “Double coincidence of wants” ?

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

3. Which of the following is the function of money ?

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

4. What is the thing which is generally accepted by everyone as a medium of exchange?

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

5. Money contains:

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

6. Money supply is which concept?

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

7. Which function removes the problem of double coincidence of wants?

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- a) Measure of value b) Medium of exchange
- c) Store of value d) None of the above
8. 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
9. 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
10. Which of the following is not a measure of money supply?
- a) M1 b) M0 c) M2 d) M4
11. 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
12. Which of the following is the most liquid form of money supply?
- a) M1 b) M2 c) M3 d) M4
13. Which of the following is the least liquid form of money supply?

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

14. M1 and M2 makes up

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

15. M3 and M4 makes up

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

16. High powered money is produced by

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

17. Which of the following are 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

18. M1 consists of

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

19. Which of the following is correct?

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- 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) $M2 = M3 + \text{currency held with banks}$

20. Money supply includes

- a) All deposits with banks
- b) Demand deposits with banks
- c) Other deposits with commercial banks
- d) All of the above

21. The money that is legally accepted by everyone in the economy is called

- a) Legal tender money
- b) Plastic money
- c) Commodity money
- d) Credit money

22. Which of the following is not a part of legal tender money?

- a) Limited legal tender money
- b) Unlimited legal tender money
- c) Optional money
- d) None of the above

23. The money in which commodity value = money value is called

- a) Credit money
- b) Full bodied money
- c) Representative money
- d) All of the above

24. What is the name of money which is usually made of paper?

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- a) Credit money b) Full bodied money c) Representative money
d) All of the above

25. What is the other name of money whose intrinsic value is much lower than its face value?

- a) Representative money b) Credit money c) Full bodied money
d) Legal tender money

26. Who is the monetary authority in India?

- a) RBI b) Government c) Commercial banks d) Ministry of Finance

27. India follows which system for issuing currency?

- a) Foreign exchange system b) Paper currency system
c) Minimum reserve system d) None of the above

28. Who issues Rs. 2 and more denominations currency notes and coins?

- a) RBI b) Government c) Commercial banks d) Ministry of Finance

29. Who issues Rs. 1 denominations currency notes and coins?

- a) RBI b) Government c) Commercial banks d) Ministry of Finance

30. Which of the following is not a commercial bank?

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

31. 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

32. The difference between two interest rates is called:

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

33. The fraction to be kept legally from the deposits is called

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

34. Money multiplier is also known as

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

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

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

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

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

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37. Which of the following equation is true?

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

38. 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

39. Commercial banks work for the purpose of

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

40. Which of the following is not a bank?

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

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

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

42. 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

43. 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

44. Which of the following is an apex body in India?

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

45. What does central bank do?

- a) Regulates the banking system b) Operates the monetary system
c) Controls the banking system d) All of the above

46. What is the central bank of India?

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

47. What is the central bank of USA?

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

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48. Which function leads to uniformity in note circulation?

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

49. RBI has the sole authority to issue currency in India. Which function is highlighted here?

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

50. 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

51. Central bank acts as

- a) Agent
- b) Banker
- c) Financial advisor
- d) All of the above

52. By carrying out all the banking activities , central bank acts as

- a) Banker
- b) Agent
- c) Financial advisor
- d) None of the above

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53. By managing the responsibility of public debt, central bank acts as

- a) Banker b) Agent c) Financial advisor d) None of the above

54. By advising the government from time to time, central bank acts as a

- a) Banker b) Agent c) Financial advisor d) None of the above

55. Being the apex bank, the central bank maintains the same relation with the commercial banks as the latter maintains with the public. Which function is being highlighted here?

- a) Banker to government b) Banks of issue c) Banker's bank d) Supervision

56. Central bank maintains the reserve of foreign exchange so that when price rises, the central bank can give the reserve to public. Which function is highlighted here?

- a) Custodian of cash reserve b) Custodian of foreign exchange
c) Clearing house function d) Bank of issue

57. Commercial banks are required to keep an amount with central bank called CRR. Which function is highlighted here?

- a) Custodian of cash reserve b) Custodian of foreign exchange
c) Bank of issue d) Clearing house function

58. The central bank acts as the last help to commercial banks or public. Which function is highlighted here?

- a) Custodian of cash reserve b) Custodian of foreign exchange
c) Banker's bank d) Lender of last resort

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59. What is the rate at which central bank gives loan to commercial bank without collateral?

- a) Repo rate b) Bank rate c) Reverse repo rate d) LRR

60. What is the rate at which central bank gives loan to commercial bank with collateral?

- a) Repo rate b) Bank rate c) Reverse repo rate d) LRR

61. What is the rate at which commercial banks keep their reserves with central banks?

- a) Repo rate b) Bank rate c) Reverse repo rate d) LRR

62. What is the amount which commercial banks are required to keep with central bank compulsorily?

- a) CRR b) SLR c) LRR d) Repo rate

63. What is the amount which commercial banks are required to keep with themselves compulsorily?

- a) CRR b) SLR c) LRR d) Repo rate

64. What is the difference between amount of loan and market value of securities called?

- a) Spread b) Margin c) Repo rate d) Bank rate

65. What happens when central bank reduces repo rate?

- a) Money supply increases b) Money supply decreases

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- c) No effect on money supply d) None of the above

66. What happens when central bank increases repo rate?

- a) Money supply increases b) Money supply decreases
c) No effect on money supply d) None of the above

67. What happens when central bank decreases bank rate?

- a) Money supply increases b) Money supply decreases
c) No effect on money supply d) None of the above

68. What happens when central bank increases bank rate?

- a) Money supply increases b) Money supply decreases
c) No effect on money supply d) None of the above

69. What happens when central bank increases reverse repo rate?

- a) Money supply increases b) Money supply decreases
c) No effect on money supply d) None of the above

70. What happens when central bank increases SLR?

- a) Money supply increases b) Money supply decreases
c) No effect on money supply d) None of the above

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71. What happens when central bank decreases CRR?

- a) Money supply increases
- b) Money supply decreases
- c) No effect on money supply
- d) None of the above

72. What happens when central bank sale securities in open market?

- a) Money supply increases
- b) Money supply decreases
- c) No effect on money supply
- d) None of the above

73. What happens when central bank purchases securities in open market?

- a) Money supply increases
- b) Money supply decreases
- c) No effect on money supply
- d) None of the above

74. What happens when central bank increases margin?

- a) Money supply increases
- b) Money supply decreases
- c) No effect on money supply
- d) None of the above