



ST. LAWRENCE HIGH SCHOOL



A Jesuit Christian minority Institution

Subject: Economics Class- XI

Date:21/11/2020

Answer key of Worksheet-5

Chapter- Money and Banking

Topic- Definition, classification money, Money supply, Difference between role of commercial banks and central bank

1.Choose the correct alternative.

1x15=15

a)_____is that money which has a legal backing. No one can refuse to accept it.

i) token money ii) customary money **iii) legal tender money** iv) none of these

b) Paper notes of any denominations are example of _____ **i) unlimited legal tender money** ii) limited legal tender money iii) token money iv) none of these

c) $M1 = \text{currency} + \text{_____} + \text{other deposits with RBI}$ i) term deposits with commercial banks **ii) demand deposits with commercial banks** iii) postal savings bank deposits iv) none of these

d) $M2 = M1 + \text{_____}$ **i) postal savings bank deposits** ii) term deposits with commercial banks iii) both (i) and (ii) iv) none of these

e) $M3 = M1 + \text{_____}$ i) postal savings bank deposits **ii) term deposits** with banks iii) both(i) and (ii) iv) none of these

f)A _____is defined as an institution that accepts deposits of money from the public withdrawable by cheque and used for lending .

i) nonbanking financial institution **ii) bank** iii) post office iv) none of these

g)_____ has the power to issue notes . i) central bank ii) commercial banks iii) both (i) and (ii) iv) none of these

h) The responsibility of maintenance of stability in the foreign exchange rate lies with _____ i) commercial bank ii) government **iii) central bank** iv) none of these

i) Central bank in USA is known as **i) Federal Reserve System** ii) Reserve bank of India iii) Bank of USA iv) none of these

j) Functions of central bank are i) central bank enjoys the monopoly of note issue ii) it acts as lenders of last resort iii) it acts as banker of the government **iv) all of the above**

k) The rate at which central bank borrows money from the commercial bank is called _____ i) bank rate ii) repo rate **iii) reverse repo rate** iv) none of these

l) Commercial bank sells securities to the central bank to get funds on condition that banks will repurchase the securities after a specified time at a predetermined price. Then rate of interest applicable for this loan is called the _____ **i) repo rate** ii) reverse repo rate iii) bank rate iv) none of these

m) When a bank gives loan the rate of interest charged by the bank in case there is no risk involved is the _____ i) bank rate **ii) prime lending rate** iii) repo rate iv) none of these

n) If commercial banks purchase the government securities sold by central bank then i) their reserve will fall ii) then their loan providing capacity will be reduced iii) their reserve will increase **iv) both (i) and (ii)**

o) If reserve ratio is raised then **i) commercial banks' power to create deposits will be reduced** ii) commercial banks' power to create deposits will be increased iii) it has no impact on deposit iv) none of these

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