



ST. LAWRENCE HIGH SCHOOL



A Jesuit Christian minority Institution

Subject: Economics Class- XI

Date:21/11/2020

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 sell 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

Aparajita Mondal