

Chapter: 6

MONEY AND BANKING

1. Scheduled Bank is that bank which is

- (a) Nationalized
- (b) Not nationalized
- (c) Based at foreign country.
- (d) Included in the second schedule of RBI

2. Which of following is not an instrument of monetary policy?

- (a) Open market operations
- (b) Bank rate policy
- (c) Reserve ratio requirements
- (d) Government spending.

3. RBI was nationalized in—

- (a) 1959 (b) 1947
- (c) 1945 (d) 1949

4. One rupee note in India is signed by

- (a) RBI Governor.
- (b) Union Finance Minister
- (c) Secretary, Finance Ministry
- (d) Secretary, Commerce Ministry

5. Inflation is the result of increases in the cost of production. This kind of inflation is known as:

- (a) Cost-push inflation
- (b) Demand-pull inflation
- (c) Either (a) or (b)
- (d) None of these

6. A situation in which the value of money is rising i.e. prices are falling is known as

- (a) Inflation
- (b) Deflation
- (c) Stagflation
- (d) Disinflation.

7. Combined phenomenon of inflation stagnation is called

- (a) Money inflation
- (b) Demand-pull inflation
- (c) Cost- push Inflation
- (d) Stagflation

8. Commercial banks are regarded as creators of money because

- (a) They buy securities from the Central bank.
- (b) Their loans create deposits
- (c) They are bound to honor their obligations

(d) None of the above

9. A vital function of money is its ability to provide a standard for

- (a) Difference in consumer's goods
- (b) Marginal utility
- (c) Deferred payments
- (d) Consumer's preference

10. India's paper currency is controlled by

- (a) The Ministry of Finance
- (b) The Govt. of India
- (c) The SBI
- (d) The RBI

11. Which one of the following is not instrument of selective credit control in India?

- (a) Regulation of consumer credit
- (b) Rationing of credit
- (c) Margin requirements
- (d) Variable cash reserve ratios

12. Credit creation increases

- (a) Real national income
- (b) Supply of money
- (c) Real wealth of the community

(d) Purchasing power of the currency

13. The Central bank can decrease the bank credit component of the money say by

- (a) Lowering the cash reserve requirements
- (b) Increasing the bank rate
- (c) Lowering the bank rate
- (d) None of the above

14. Moral suasion is

- (a) A term descriptive of the corrupt practices of many banks
- (b) A term applied to banks that are conservative in their banking practices
- (c) Persuasion of banks to adhere to Central bank's desires
- (d) None of the above

15. Reduction in the reserve ratio, prescribed by the Central bank for commercial banks

- (a) Favorably affects credit creation of banks
- (b) Diversely affects credit creation of banks
- (c) Does not affect
- (d) None of the above

16. Narrow definition of money is

- (a) M1
- (b) M2

(c) M3 (d) M4

(c)IBRD (d) SEBI

17. M1 + Time deposit in commercial banks is called

- (a) M2 (b) M3
- (c) M4 (d) None of the above

18. Increase in money supply will lead to

- (a) Cost push inflation
- (b) Demand pull inflation
- (c) Structural inflation
- (d) None of the above

19. While issuing bill of exchange, banks earn through

- (a) Interest (b) Dividend
- (c) Discount (d) None of the above

20. Cash which has to be deposited with central bank is called

- (a) Statutory liquidity ratio
- (b) Cash reserve ratio
- (c) Credit ratio
- (d) Investment ratio

21. Which of the following is commercial bank?

- (a)UTI (b) IFCI

22. Increase in Cash reserve Ratio leads to

- (a) Increase in Bank credit
- (b) Decrease in Bank credit
- (c) Constant Bank credit
- (d) None of the above

23. Which of the following is an asset of the bank?

- (a) Time deposit
- (b) Demand deposit
- (c) Share capital
- (d) Loans

24. Rate at which Reserve Bank of India gives loans to commercial banks is called

- (a) Credit rate (b) Loan rate
- (c) Bank rate (d) Discount rate

25. Open market operation is a part of

- (a) Credit policy
- (b) Income policy
- (c) Price policy
- (d) Monetary policy

26. Margin money is a part of

- (a) Come policy
- (b) Rice policy
- (c) Credit policy
- (d) Monetary policy

27. Monetary policy is formulated by

- (a) RBI (b) SEBI
- (c) CLB (d) Finance Ministry

28. The RBI has helped to finance India's foreign trade through

- (a) NABARD (b) EXIM bank
- (c) SBI (d) IDBI

29. Cheque is an example of

- (a) Actual money
- (b) Commodity money
- (c) Credit money
- (d) Paper money

30. M2 is defined as

- (a) M1 + net time deposits
- (b) M1 + total deposits with post office
- (c) M1 + saving deposits with post office
- (d) Currency plus demand deposits in banks

31. Population per commercial bank is

- (a) About 6,000
- (b) About 12,000
- (c) About 26,000
- (d) About 36,000

32. When banks finance the small-scale sector like agriculture, small business, etc. it is called

- (a) Directed credit
- (b) Indirect credit
- (c) Commercial lending
- (d) None of the above

33. Percentage of Rural branches as compare to total branches of the banks in India.

- (a) 27 (b) 37
- (c) 47 (d) 57

34. The cash reserve ratio is usually determined by

- (a) The free of market forces
- (b) The commercial bank
- (c) The monetary authority
- (d) All the three together.

35. In period of depression, credit creation is (a) Small (b) Heavy

(c) Unchanged (d) None of these

36. Which of the following is NOT a function of commercial bank?

(a) Acceptance of deposit

(b) Purchase and sale of foreign exchange

(c) Discounting bills of exchange

(d) Controlling Credit expansion

37. The bank are required to maintain a certain ratio between their cash in hand and total assets is called

(a) CLR (Cash Liquidity Reserve)

(b) SLR (Statutory liquidity ratio)

(c) SBR (Statutory Bank Ratio)

(d) CBR (Central Bank Reserve)

38. A situation where, the economy experience unemployment along with high rate of inflation known as

(a) Deflation

(b) Disinflation

(c) Stagflation

(d) None of these

39. Which of the following selective credit control instruments issued against commercial banks that do not adhere to the credit regulations of the central bank?

(a) Rationing of credit

(b) Direct action

(c) Changed in margin Requirements.

(d) Moral suasion

40. Which of the following is not a selective credit control method?

(a) Rationing of credit.

(b) Direct action.

(c) Changes in margin requirements.

(d) Reserve requirement changes.

41. When the deficit financing increases, the RBI _____ to curb the excess liquidity.

(a) Increases CRR

(b) Decreases bank rate

(c) Resorts to open market purchases

(d) Raises tax rate.

42. Which of the following is NOT true about monetary policy in the Indian context?

(a) The monetary policy aims at price stability and growth

(b) The monetary policy measures in India were never influenced by the fiscal policy

(c) The monetary policy has been primarily acting through the availability of credit

(d) The cost of credit has been adjusted upward in the past to meet inflationary situations.

43. Which of the following institution acts as a government arm in the international financial market?

(a) Ministry of Commerce

(b) Ministry of Finance

(c) Public Sector Banks

(d) Central Bank.

44. If the central bank buys financial securities in the open market to increase the monetary base, then it is an example of—.

(a) Lender of last resort

(b) Financial intermediation

(c) Open market operation

(d) Financial regulation

45. Which of the following is NOT an instrument of general credit control?

(a) Open market operations

(b) Bank rate

(c) Margin requirements

(d) Variation in reserve ratio

46. Which of the following is a qualitative method of credit control?

(a) Variation in the bank rate.

(b) Regulation of margin requirements

(c) Open market operations

(d) Variable reserve ratio.

47. Which pair is not correct?

(a) FXIM -Financing for export-import

(b) RBI-Banker's bank

(c) IDBI- industrial development bank of india

(d) FCI- Food corporation of India

48. Raising or lowering of the central bank discount rate is known as

(a) Open market operation

(b) Cash reserve ratio

(c) Bank rate policy

(d) None of these

49. When the central bank sells securities, deposits with commercial banks.....

(a) Decline

(b) Increase, marginally

(c) Remains unchanged

(d) Become almost nil.

50. Coins are issued by

- (a) RBI
- (b) Central government
- (c) Local government
- (d) State government

CDSM