

EXAM-DAY · 90-MIN REVISION CARD

Money and Banking

Print this · Fold it · Carry to the exam-hall gate · Revise once · Then walk in.

FORMULAS & KEY RESULTS

MONEY FUNCTIONS — Primary:
(1) Medium of exchange, (2) Measure/unit of value

MONEY FUNCTIONS — Secondary: (3) Store of value, (4) Standard of deferred payment

BARTER PROBLEM = lack of double coincidence of wants (+ no common measure, no store of value)

M1 = Currency with public + Demand deposits + Other deposits with RBI (most liquid)

M2 = M1 + Savings deposits with Post Office savings banks

M3 = M1 + Net time (fixed) deposits with banks (aggregate monetary resources)

M4 = M3 + Total Post Office deposits (excluding NSC)

HIGH-POWERED MONEY (H) = Currency held by public + Cash reserves of banks (issued by RBI)

MONEY MULTIPLIER = $1 / \text{LRR}$
→ LRR 20% (0.20) gives multiplier = 5

TOTAL DEPOSITS CREATED = Initial deposit × (1/LRR) →
₹1,000 × 5 = ₹5,000

RBI FUNCTIONS: (1) Bank of issue (2) Banker to government (3) Bankers' bank + lender of last resort (4) Controller of credit

QUANTITATIVE TOOLS: Bank Rate/Repo, CRR, SLR, Open Market Operations (OMO)

QUALITATIVE TOOLS: Margin requirements, Moral suasion, Selective credit controls

CRR = cash kept with RBI; **SLR** = liquid assets (cash/gold/govt securities) kept by bank itself

TOP 5 PYQ PATTERNS

1 Credit/money creation with money multiplier

6 marks · 85% of years

Round-by-round with LRR 20%, then multiplier = $1 / \text{LRR} = 5$, total = ₹5,000. State the LRR limit.

2 Four functions of the Central Bank (RBI)

4 marks · 80% of years

Bank of issue + banker to govt + bankers' bank/ lender of last resort + controller of credit.

3 Effect of CRR/repo change on money supply

4 marks · 70% of years

Inverse relation: CRR/repo UP ⇒ lendable funds DOWN ⇒ money supply DOWN. Anti-inflation.

4 Functions of money (primary vs secondary)

3 marks · 60% of years

2 primary + 2 secondary. Link medium of exchange to double-coincidence problem.

5 Money supply measures M1 vs M3 / high-powered money

3 marks · 55% of years

M1 = liquid (no time deposits); M3 adds net time deposits. H = currency + bank reserves.

90-MIN REVISION FLOW

0-10 min

Recite the 4 functions of money (2 primary + 2 secondary) and the barter double-coincidence problem from memory.

10-25 min

Write the money-supply ladder M1 → M2 → M3 → M4 and define high-powered money.

25-45 min

Write the full credit-creation answer: rounds + multiplier $1 / \text{LRR} + ₹1,000 \times 5 = ₹5,000$.

45-60 min

List the 4 RBI functions + 4 quantitative + 2 qualitative monetary-policy tools.

60-80 min

Take the 15-MCQ Quick Drill.

80-90 min

Review wrong answers; re-do the numerical.

Repo UP / CRR UP / SLR UP /
RBI SELLS securities ⇒ money
supply DOWN (dear money,
anti-inflation)

Confidence, not anxiety. You've practised this all year. Trust your steps. Don't change strategy on exam morning.
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