

QUICK DRILL · CBSE CLASS 12

Money and Banking

Macroeconomics · Chapter 3 · 15 MCQs · 20 minutes · PYQ-tagged with time budgets

DATE	TOTAL MARKS 15	DURATION 20 min	MARKING +1 / 0	TARGET ≥ 12/15
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OBJECTIVES

Reinforce the four core topics of Money and Banking via 15 PYQ-derived MCQs. Identify weak sub-topics via concept-node IDs (see answer key). Build per-question time budget habit.

INSTRUCTIONS

Attempt all 15. Time budget shown per Q (use it as pacing guide). Mark answers (A/B/C/D) in the margin. Answer key + explanations on the last page. **Don't peek — score yourself honestly.**

SECTION · QUICK DRILL

Q 1-15 · 20 MIN

Q1. The main problem of the barter system was the lack of:

- (A) Money (B) Double coincidence of wants
(C) Goods (D) Markets

PYQ 2018 · Delhi · 1m · 25s

Q2. Which is a PRIMARY function of money?

- (A) Store of value (B) Standard of deferred payment
(C) Medium of exchange (D) Transfer of value

PYQ 2019 · All India · 1m · 25s

Q3. Standard of deferred payment is a ___ function of money.

- (A) Primary (B) Secondary
(C) Contingent (D) No

PYQ 2022 · Delhi · 1m · 25s

Q4. M1 does NOT include:

- (A) Currency with public (B) Demand deposits
(C) Other deposits with RBI (D) Time deposits

PYQ 2020 · Delhi · 1m · 30s

Q5. M3 = M1 +

- (A) Post office savings (B) Net time deposits with banks
(C) Currency (D) Gold

PYQ 2023 · All India · 1m · 30s

Q6. High-powered money is issued by:

- (A) Commercial banks (B) Government only
(C) The RBI (central bank) (D) Post offices

PYQ 2022 · All India · 1m · 25s

Q7. If LRR = 20%, the money multiplier is:

- (A) 2 (B) 4
(C) 5 (D) 20

PYQ 2018 · All India · 1m · 30s

Q8. With LRR 20% and initial deposit ₹1,000, total deposits created =

- (A) ₹1,000 (B) ₹2,000
(C) ₹5,000 (D) ₹10,000

PYQ 2021 · Delhi · 1m · 35s

Q9. Commercial banks create money through:

(A) Printing currency

(C) Issuing coins

PYQ 2020 · Delhi · 1m · 25s

(B) Credit (deposit) creation

(D) Selling gold

Q10. 'Lender of last resort' is a function of the:

(A) Commercial bank

(C) Post office

PYQ 2019 · Outside Delhi · 1m · 25s

(B) Central bank (RBI)

(D) Finance Ministry

Q11. CRR refers to cash kept by a bank with:

(A) Itself

(C) The government

PYQ 2022 · Delhi · 1m · 25s

(B) The RBI

(D) Post office

Q12. SLR is maintained by a bank in the form of:

(A) Cash with RBI only

(C) Loans

PYQ 2024 · Delhi · 1m · 30s

(B) Liquid assets (cash, gold, govt securities) with itself

(D) Foreign currency

Q13. An increase in the repo rate will:

(A) Increase money supply

(C) Have no effect

PYQ 2023 · All India · 1m · 30s

(B) Decrease money supply

(D) Double money supply

Q14. When the RBI SELLS government securities (OMO), money supply:

(A) Increases

(C) Stays same

PYQ 2021 · All India · 1m · 30s

(B) Decreases

(D) Becomes zero

Q15. Margin requirement and moral suasion are ___ instruments.

(A) Quantitative

(C) Fiscal

PYQ 2022 · Outside Delhi · 1m · 25s

(B) Qualitative

(D) Trade

ANSWER KEY & EXPLANATIONS

Q 1-15 · MARK YOUR SCORE

Q1. Answer: B

Each party must want exactly what the other offers.

Q2. Answer: C

Medium of exchange + measure of value are primary.

Q3. Answer: B

It is a secondary/derived function.

Q4. Answer: D

Time deposits enter only from M3.

Q5. Answer: B

M3 adds net time deposits (broad money).

Q6. Answer: C

H = reserve money issued by the RBI.

Q7. Answer: C

Multiplier = $1/LRR = 1/0.20 = 5$.

Q8. Answer: C

$₹1,000 \times (1/0.20) = ₹1,000 \times 5 = ₹5,000$.

Q9. Answer: B

Banks multiply deposits by lending.

Q10. Answer: B

RBI lends to banks in crisis.

Q11. Answer: B

CRR cash is held with the RBI.

Q12. Answer: B

SLR = liquid assets held by the bank itself.

Q13. Answer: B

Dearer RBI credit \Rightarrow money supply contracts.

Q14. Answer: B

Selling absorbs cash \Rightarrow supply contracts.

Q15. Answer: B

They affect the direction of credit (qualitative).