

Chapter- 3

MONEY AND CREDIT**Sub-Topic Name:** Barter system, money as a medium of exchange**Level-1****1 Mark Questions****Easy-Very Short Answers**

1. may be defined as anything which is generally accepted by people in exchange of goods and services or in repayment of debts.
2. In India, the law legalizes the use of as a medium of payment that cannot be refused in settling any transaction.
3. Money as a medium of exchange has removed the problem of of wants.
4. What is the double coincidence of wants?
 - A. both parties have to agree to sell and buy each other's commodities
 - B. Exchanging commodity for commodity
 - C. Credit on commodity
 - D. Loan on commodity till sold further
5. What eliminates the need for double coincidence of wants?
 - A. Credit
 - B. Debit
 - C. Money
 - D. Barter system
6. Since money acts as an intermediate in the exchange process, it is called
 - A. Medium of trade
 - B. Medium of Exchange
 - C. Medium of Business
 - D. Medium of transaction

7. The modern currency is without any use of its own, then why is it accepted as a medium of exchange?

- A. Because it is convenient
- B. It has digital and manual system
- C. It can be used in foreign exchange
- D. Is authorized by the government of the country

8. Which one of the following statement is most appropriate regarding transaction made in money?

- A. It is the easiest way
- B. It is the safest way
- C. it is the cheapest way
- D. It promotes trade

9. What is the meaning of 'barter system'?

10. Give one reason why transactions are made in money.

11. What is meant by double coincidence of wants?

12. Recognize the situation when both the parties in a barter economy have to agree to sell and buy each other's commodities. What is it called?

13. What is it that can act as a medium of exchange in transactions?

14. Name two objects that were used as money before the introduction of coins.

Level-2

3 Marks Questions

Medium

15. Mention three limitation of barter system.

16. How does the use of money make it easier to exchange things?

17. How does money solve the problem of double coincidence of wants? Explain with an example of your own.

Level-3

5 Marks Questions

HOTS Questions

18. How is money used in everyday life? Explain with examples.

19. What were the shortcomings of barter system that led to the evolution of money as a medium of exchange?

Sub-Topic Name: Modern forms of money, Deposit with bank and cheque

Level-1

1 Mark Questions

Easy-Very Short Answers

20. The problem of similar wants made exchange difficult, so a new medium of exchange was developed known as

- (a) Capital
- (b) Cost
- (c) Rent
- (d) Money

21. What eliminates the need for double coincidence of wants?

- (a) Credit
- (b) Debit
- (c) Money
- (d) Barter system

23. Since money acts as an intermediate in the exchange process, it is called

- (a) Medium of trade
- (b) Medium of exchange
- (c) Medium of business
- (d) None of these

24. What came after grains and cattle as a medium of exchange in India?

- (a) Metallic coins-gold, silver and copper
- (b) Paper notes
- (c) Barter system
- (d) Value for land

25. The modern currency is without any use of its own, then why is it accepted as a medium of exchange?

- (a) Because it is convenient
- (b) It has digital and manual system
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- (d) Is authorized by the government of the country

26. Why are transactions made in money?

27. Which are modern forms of money? State any one.
28. Why is currency accepted as a medium of exchange?
29. Which authority issues currency notes in India?
30. Why do people deposit money with the banks?
31. Why are deposits with the banks called demand deposits?
32. What is a cheque?
33. How do the demand deposits share the essential features of money?
34. Why no person can refuse to accept payments in rupee?
35. What is demand deposit?

Level-2

3 Marks Questions

Medium

36. What do you understand by demand deposits?
37. What is money? Why is modern money currency accepted as a medium of exchange?
38. What are the modern forms of money? Why the 'rupee' is widely accepted as a medium of exchange? Explain two reasons.
39. How is money used in everyday life? Explain with examples.
40. Why the demand deposits are considered as money?
41. Which type of deposits with the banks is called demand deposits? State some important features of demand deposits.
42. What are demand deposits? What are their advantages?
43. M. Salim wants to withdraw Rs.20, 000 in cash for making payments. How would he write a cheque to withdraw money?

Level-3

5 Marks Questions

HOTS Questions

44. Define Money. Why money is called a medium of exchange? How is money used in everyday life? (1+2+2)
45. What are demand deposits? Write any three features of demand deposits.

Sub-Topic Name: Loan activities of bank and Two different credit situation

Level-1

1 Mark Questions

Easy-Very Short Answers

45. Banks in India these days hold about of their deposits as cash. This is kept as a provision to pay the depositors who might come to withdraw money from the bank on any given day.

- A. 20%
- B. 25%
- C. 30%
- D. 15%

46. How do banks mediate between those who have surplus funds (the depositors) and those who are in need of these funds (the borrowers)?

- A. Mutual funds
- B. Share dividend
- C. Loans
- D. Deposits

47.refers to an agreement in which the lender supplies the borrower with money, goods or services in return for the promise of future payment.

- A. Debit
- B. Cash transaction
- C. Credit
- D. Trade

48. In situations with high risks, credit might create further problems for the borrower, what is it called?

- A. Absence of collateral
- B. Debt trap
- C. Debit
- D. Demand deposits

49. How much amount of the deposits is kept as cash by the banks and why?

50. How do banks use the major portion of the deposits?

51. Which is the main source of income of the banks?

52. What is credit?

53. What is debt-trap?

54. What do people do with their extra money?

55. What is the source of income for banks?

56. When do we say that a borrower is in debt-trap?

Level-2

3 Marks Questions

Medium

57. Explain with examples, how people are involved with the banks.
58. "Deposits with the banks are beneficial to the depositors as well as to the nation". Examine the statement.
59. Describe the vital and positive role of credit with examples.
60. Explain the term debt-trap. Why is it more rampant in rural areas? Give two reasons.

Level-3

5 Marks Questions

HOTS Questions

61. "Credit is useful as well as harmful; it depends on the risk involved". Support the statement with examples. (CBSE 2014)
62. How do banks play an important role in the economy of India? Explain. (CBSE 2017)

Sub-Topic Name: Terms of credit along with case study and Formal sector credit in India.

Level-1

1 Mark Questions

Easy-Very Short Answers

63. An agreement in which the lender supplies the borrower with money, goods or services in return for the promise of future payment refers to
- (a) Debt
 - (b) Deposit
 - (c) Credit
 - (d) Collateral
64. Money-lenders usually demand a 'security' from the borrower. What is the formal word used for the 'security', such as land, vehicle, livestock, building, etc.?
- (a) Deposit
 - (b) Collateral
 - (c) Credit
 - (d) Guarantee
65. _____ includes details regarding interest rate, collateral and documentation requirement, and the mode of payment.
66. The situation when it becomes impossible to repay the loan and the borrower adds on a new debt to pay the existing one is known as _____ .
67. What is collateral?

68. What are the main 'terms of credit'?
69. Which are the two major sources of formal loan for rural households?
70. Who supervises the functioning of formal sources of loans?
71. Why are banks unwilling to lend loans to small farmers?
72. What kind of credit is crucial for a country's development?
73. Besides banks, what are the other sources of credit from which the small farmers borrow?
74. Who issues the currency notes in India?
75. The share of formal sector credit is for the richer households as compared to the poor households in India.
76. Absence of as a guarantee is a major cause that prevents poor people from obtaining loans from formal sector sources, such as commercial banks.
77. Which among the following options will be the cheapest source of credit in rural areas?
- (a) Bank
 - (b) Cooperative Society
 - (c) Money-lender
 - (d) Finance Company
78. Which body (authority) supervises the functioning of formal sources of loans?
- (a) Finance Ministry
 - (b) Head Office of each Bank
 - (c) Reserve Bank
 - (d) Cooperative Societies
79. Which among the following banks issues currency notes on behalf of the Central Government in India?
- (a) RBI
 - (b) State Bank of India
 - (c) Bank of India
 - (d) Central Bank of India
80. Who issues the currency notes in India?
- (a) Currency notes are issued by the Finance Commission.
 - (b) All the nationalized banks can issue the currency notes.
 - (c) Only Reserve Bank of India can issue currency notes.
 - (d) Any individual or organization can issue currency notes with the permission of the govt.
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Level-2

3 Marks Questions

Medium

82. 'Credit has its own unique role for development'. Justify the statements with arguments.
83. Why is there a need to expand rural credit?
84. Why is it necessary for the banks and cooperatives to increase their lending facilities in rural areas? Explain.
85. Cheap and affordable credit is important for country's development? Explain any three reasons.
86. Which documents are required to be submitted to the bank for taking a home loan?
87. Explain with an example how the terms of credit can be unfavorable for the small farmers.

Level-3

5 Marks Questions

HOTS Questions

88. Cheap and affordable credit is important for country's development? Explain any five reasons.
89. Why is it necessary for the banks and cooperatives to increase their lending facilities in rural areas? Explain.
90. What are the differences between formal and informal sources of credit?
91. Why do you think that the share of formal sector credit is higher for the richer households compared to the poorer households?

Sub-Topic Name: Formal and informal sector of credit: who get what?
Self-help group

Level-1

1 Mark Questions

Easy-Very Short Answers

92. Which one of the following is the new way of providing loans to the rural poor?
(a) Co-operative societies
(b) Traders
(c) Relatives and friends
(d) SHGs
93. In which country is the Grameen Bank meeting the credit needs of over 6 million poor people?

- (a) Bhutan
- (b) Sri Lanka
- (c) Bangladesh
- (d) Nepal

94. A typical Self Help Group usually has

- (a) 100-200 members
- (b) 50-100 members
- (c) less than 10 members
- (d) 15-20 members

95. 'Low rate of interest' is a feature of _____ credit.

96. Credit card is a paper instructing the bank to pay a specific amount from the person's account to the person in whose name it has been made. (True/False)

97. Rich households largely depend on informal sources of credit. (True/False)

98. In formal sector, higher rate of interest is charged. (True/False)

99. 'Inculcating saving habits in community' is an objective of Self Help Groups, (True/False)

100. List various ways through which digital transactions are made.

101. What is the main objective to promote digital transactions?

102. Why are banks unwilling to lend loans to small farmers?

103. What are SHGs?

104. help in pooling the savings of their members, who are poor women to meet their credit needs.

105. The share of formal sector credit is for the richer households as compared to the poor households in India.

Level-2

3 Marks Questions

Medium

106. What are Self-Help Groups? Describe in brief their functioning including their aim and importance.

107. Discuss the role played by Grameen Bank of Bangladesh in improvement of the condition of the poor particularly women.

108. What is the basic idea behind the SHGs for poor? Explain in your own words.

109. Why Self Help Groups are growing in popularity?

Level-3

5 Marks Questions

HOTS Questions

110. What are Self-Help Groups? Describe in brief their functioning including their aim and

importance.

111. What is the basic idea behind the SHGs for poor? Explain in your own words.

