

Chapter – Money and Banking

Worksheet – 4

Choose the correct option:

- Which of these is not a function of central bank?
 - Accepting deposits of general public
 - Advancing of Loans to general public
 - Banker's Bank
 - Currency Authority
- Other name for legal reserve requirement is _____.
 - Cash reserve ratio
 - Statutory liquidity ratio
 - Variables reserve ratio
 - Bank rate
- Which of the following is not the function of the central Bank?
(Choose the correct alternative)
 - Banking facilities to government
 - Banking facilities to public
 - Lending to government
 - Lending to commercial banks

Fill in the blank:

- One rupee note and all coins are issued by the _____.
- Components of Legal reserve ratio are _____ and _____
- The central bank act as _____ to both central and state
 - government.

Match the correct pair:

Match the statements given under A with the correct options given under B.

(A)	(B)
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(i) Central Bank	a. Credit Creation
(ii) Currency Authority	b. Ministry of Finance
(iii) Money Creation	c. Reserve Bank of India
(iv) One-rupee notes	d. Bank of issue

Answer the following Questions in short.

1. Mention any one factor affecting credit creation by banks:
2. What is Reverse Repo rate?
3. State the formula used for calculating money multiplier.
4. Calculate the value of money multiplier if the legal reserve requirements are 20%.
5. Define 'money multiplier'.

Answer the following Questions in long.

1. Government of India has recently launched 'Jan-Dhan Yojna' aimed at every household in the country to have at least one bank account. Explain how deposits made under the plan are going to affect national income of the country.
2. Currency is issued by the central bank, yet we say that commercial banks create money. Explain. How is this money creation by commercial banks likely to affect the national income? Explain.
3. Discuss how the central bank plays the role of 'controller of credit' in an economy?
4. Explain the working of money multiplier with help of a numerical example.
5. Define Credit Multiplier, what role does it play in determining the credit creation power of the banking system? Use a numerical illustration to explain.