Chapter – Money and Banking

Worksheet – 5

Choose the correct option:

1. _______ refer to those deposits in which amount is deposited with bank for a fixed period of time.

a. Current Deposits
b. Time Deposits
c. Demand Deposits
d. Saving Deposits

2. Which of the following instrument cannot be used by Central Bank of control money supply?

a. Open market operation
b. Bank rate
c. Repo Rate
d. Government spending

3. Which bank controls the banking and monetary structure of India?

a. Reserve Bank of India
b. State Bank of India
c. World Bank
d. Axis Bank

Fill in the blank:

1. ______________ refers to minimum percentage of net demand and time liabilities which commercial banks are required to maintain with themselves.

2. To decrease money supply in the economy, reverse repo rate should be _______________.

3. _______________ instruments of monetary policy affect the direction of money supply in the economy.

Match the correct pair:

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

(A)	(B)
(i) Bank Rate	a. Sale and Purchase of Government Securities by RBI
(ii) Money multiplier	b. Apex institution in the money market
(iii) Open Market Operations	c. Discount Rate
(iv) Central Bank	d. Deposit Multiplier

Answer the following Questions in short.

1. What are primary deposits?
2. Signature of _________ appears on a ₹2,000 currency note. (Fill up the blanks)
3. Name any two quantitative tools to control credit creation in an economy.
4. Explain the process of money creation by commercial banks, giving a numerical example.
5. What is meant by a central bank? Why is it known as the apex body?

Answer the following Questions in long.

1. Explain, using a numerical example, how an increase in reserve deposit ratio affects the credit creation power of the banking system.
2. ‘Growth of Indian Economy requires investment’. In this context, how Reserve Bank of India can use the instrument of Cash Reserve Ratio or CRR.

3. Explain the function of a commercial bank.

4. What is money multiplier? How will you determine its value? What ratios play an important role in the determination of the value of the money multiplier?

5. What are the instruments of monetary policy of RBI? How does RBI Stabilize money supply against exogenous shocks?