

# Money Market

## Worksheet

1. Which of the following is the primary function of money?
  - (a) Medium of exchange
  - (b) Standard of Deferred Payments
  - (c) Store of value
  - (d) All of the above
2. Which function of money is also known by the name of "Unit of Account"?
  - (a) Medium of exchange
  - (b) Standard of deferred Payments
  - (c) Measure of value
  - (d) Store of value
3. If there were no money, we would be reduced to a \_\_\_\_\_.
  - (a) Non-Monetary Economy
  - (b) Barter Economy
  - (c) Monetary Economy
  - (d) None of the above
4. Fiat money is materially \_\_\_\_\_ but has \_\_\_\_\_ simply because a nation collectively agreed to ascribe a value to it.
  - (a) Worthless, value
  - (b) Valuable, worthless
  - (c) Transparent, liquid
  - (d) Liquid, exchangeability
5. Which of the following is Not a Part of general characteristics that money should possess in order to make it serve its function as money.
  - (a) Generally Acceptable & possessing uniformity
  - (b) Durable or long-lasting
  - (c) Portable & effortlessly recognizable
  - (d) Easily counterfeitable
6. Money performs all of the three functions mentioned below, namely:
  - (a) Medium of exchange, price control, store of value
  - (b) Unit of account, store of value, provide yields
  - (c) Medium of exchange, unit of account, store of value
  - (d) Medium of exchange, unit of account, income distribution
7. Demand for money is:
  - (a) Derived demand
  - (b) Direct demand
  - (c) Real income demand
  - (d) Inverse demand
8. Higher the \_\_\_\_\_ higher would be \_\_\_\_\_ of holding cash and lower will be the \_\_\_\_\_.
  - (a) Demand for money, opportunity cost, interest rate
  - (b) Price level, opportunity cost, interest rate
  - (c) Real income, opportunity cost, demand for money
  - (d) Interest rate, opportunity cost, demand for money
9. The money is demanded for its purchasing power. Therefore, the demand for money is in the nature of \_\_\_\_\_.
  - (a) Purchasing power demand
  - (b) Real power demand
  - (c) Direct demand.
  - (d) Derived demand
10. The demand for money is actually
  - (a) Demand for liquidity
  - (b) Demand to store value
  - (c) Both (a) and (b)
  - (d) None of the above

11. which one is not a determinant of Demand for Money.
- Income
  - Rate of interest
  - Degree of financial innovation
  - level of Education
12. Demand for Money is \_\_\_\_\_ related with Rate of interest-
- Directly
  - Indirectly
  - Inversly
  - None of these
13. As Income increase, Demand for Money \_\_\_\_\_
- Decreases
  - Increases
  - Remain same
  - None of these
14. Who wrote the book "Purchasing Power of money"?
- J. M. Keynes
  - Adam smith
  - Irving fisher
  - A. C. Pigou
15. Complete the Equation.  
 $MV = \underline{\hspace{2cm}}$
- RT
  - PT
  - VT
  - PV
16. As Per Quantity Theory of Money the Demand for Money is for \_\_\_\_\_ motive.
- Transaction
  - Precaution
  - speculation
  - All of these
17. Cambridge Approach is also Called \_\_\_\_\_
- Cash balance Approach
  - Liquidity preference Approach
  - Behaviour Approach
  - Restatement Approach
18. A Hedge against Uncertainties of future is called \_\_\_\_\_ motive.
- Transaction
  - Precaution
  - speculation
  - All of these
19. Choose the correct formula \_\_\_\_\_
- $K = \frac{PY}{Md}$
  - $K = \frac{Md}{PY}$
  - $K = \frac{MV}{pd}$
  - $K = \frac{Pd}{MY}$
20. As Per Liquidity Preference theory of keynes People hold money for \_\_\_\_\_ Motive
- Transaction
  - Precaution
  - Speculation
  - All of these
21. Precautionary motive of Demand for money is depends upon \_\_\_\_\_
- Economic condition
  - Income
  - optimism or Pessimisiam of Public
  - All of these
22. If critical interest rate is greater than current interest rate, then People should \_\_\_\_\_
- Buy Bonds
  - Hold money
  - Both
  - None of these
23. The Individual speculative Demand for money curve is \_\_\_\_\_
- Downward sloping
  - Upward sloping
  - Discontinuous
  - None of these

24. In the situation Consumer & Investor hoard cash Rather than investing and spending. Even if interest rate are low. this situation is called \_\_\_\_\_ .
- Interest trap
  - Debt trap
  - Liquidity trap
  - None of these
25. Match the column \_\_\_\_\_ .
- |  |                   |
|--|-------------------|
| A) Classical Theory of Demand for money    | i) Tobin          |
| B) Liquidity Preference Theory             | ii) J.M. Keynes   |
| C) Behaviour toward Risk Theory            | iii) M. Friedman  |
| D) Restatement Theory of Demand for money. | iv) Irving fisher |
- (A-i) (B-ii) (c-iii) (D-iv)
  - (A-iv) (B-ii) (c-iii) (D-i)
  - (A-iv) (B-iii) (C-ii) (D-i)
  - (A-iv) (B-ii) (c-i) (D-iii)
26. If  $P = ₹ 10$  and  $T = 1000$  then calculate demand for money (M) with velocity = 2
- 20000
  - 5000
  - 200
  - 50
27.  $M_d = KPY$ , If Demand for money  $M_d = 1000$  and Nominal income (PY) = 10,000 then Calculate k
- 10
  - 0.1
  - 0.01
  - 100
28. In Cambridge Equation  $M_d = KPY$  What is PY Present?
- Real income
  - Nominal income
  - Personal income
  - Private income
29. As per Liquidity Preference Theory given by J. M. Keynes
- Which motive is interest sensitive ?
- Transaction motive
  - Precautionary motive
  - speculative motive
  - All of these
30. Which of the following is NOT a function of money?
- Providing a common measure of value
  - Acting as a medium of exchange
  - Serving as a unit of account
  - Easily reproducible by people
31. The concept of "aversion of risk" is propounded by :
- James Tobin
  - Milton Friedman
  - John Maynard Keynes
  - Alfred Marshall
32. What type of currency is issued by the central bank ?
- Commodity money
  - Digital money
  - Fiat money
  - Representative money
33. In an economy, the money supply (M) is ₹ 500 crores, the velocity of money (V) is 5 and the total number of transactions (T) is 10,000. Calculate the average price level (P) in the economy.
- ₹ 25 thousand
  - ₹ 25 lakhs
  - ₹ 50 lakhs
  - ₹ 50 thousand
34. Real money refers to :
- Real national income
  - Money demanded at given rate of interest
  - Nominal GNP divided by price level
  - Nominal money adjusted to the price level

35. As Per Restatement theory given by Milton Friedman which is / are the determinants of Demand for money.
- opportunity cost
  - wealth
  - Inflation
  - All of these
36. Choose the correct formula.
- $c = \sqrt{\frac{2br}{Y}}$
  - $Y = \sqrt{\frac{2br}{c}}$
  - $c = \sqrt{\frac{2bY}{r}}$
  - $Y = \sqrt{\frac{2bc}{r}}$
37. If opportunity cost of Holding money increases, what will be effect on Demand for money. It \_\_\_
- Increases
  - Decreases
  - Remains same
  - Neutral
38. Post Keynesian Theories of Demand for money is / are \_\_\_\_\_
- Behaviour toward Risk Theory
  - Inventory Approach to Transaction Balance
  - Restatement theory
  - All of these.
39. If Brokerage (b) = 200  
Income (Y) = 1000  
Rate of interest is (r) = 10%  
Calculate cash withdrawal (c).
- 200
  - 20
  - 2000
  - None of these
40. Tobin's Liquidity Preference function curve Slopes \_\_\_\_\_
- Downward
  - Upward
  - straight line
  - None of these
41. The supply of money in the economy depends on the decision of
- Commercial Banks
  - Central Bank
  - Ministry of Finance
  - Central Government
42. Which one of the following is not the producers of money?
- Government
  - Banking System
  - Household & Firms
  - All of the above
43. In the definition of money supply, the term public includes economic unit:
- Households
  - Firms
  - Institutions
  - All of the above
44. While discussing the definition of "Supply of Money" and the Standard measures of money, \_\_\_\_\_ is/are not included.
- Inter bank Deposits
  - Money held by the Government
  - Banking System
  - All of the above
45. In the definition of money supply, the word "public" includes:
- All Local Authorities
  - Non-Banking Financial Institutions
  - Foreign Central Banks
  - All of the above
46. Money Supply is a \_\_\_\_\_ variable.
- Flow
  - Stock
  - Both(a)&(b)
  - None of the above
47. Money Supply does not include stock of money held by the \_\_\_\_\_ as well as \_\_\_\_\_ of country.
- Public, government
  - Public, banking system
  - Government, banking system
  - Public, banks

48. The primary source of money supply in all countries is:
- The Reserve Bank of India
  - The Central bank of the country
  - The Bank of England
  - The Federal Reserve
49. The supply of money in an economy depends on.
- The decision of the central bank based on the authority conferred on it
  - The decision of the central bank and the supply responses of the commercial banking system
  - The decision of the central bank in respect of high powered money
  - Both (a) and (c) above
50. Under the 'minimum reserve system' the central bank is \_\_\_\_\_.
- Empowered to issue currency to any extent by keeping an equivalent reserve of gold and foreign securities
  - Empowered to issue currency to any extent by keeping only a certain minimum reserve of gold and foreign securities
  - Empowered to issue currency in proportion to the reserve money by keeping only a minimum reserve of gold and foreign securities
  - Empowered to issue currency to any extent by keeping a reserve of gold and foreign securities to the extent of 350 crores
51. Which one of the following is the feature of money supply?
- Money includes money held by public only
  - Money does not include money-creating sector (suppliers of money)
  - Money is a stock concept, as it is concerned with a particular point of time
  - All of the above
52. Banks create money supply in the process of borrowing and lending transactions with the public.
- Money so created by the commercial Banks is called:
- Credit Money
  - Artificial Money
  - Debit Money
  - None of these
53. Which of the following is a type of money?
- Metallic Currency
  - Paper Currency
  - Digital Currency
  - All of the above
54. With the advent of cutting edge technologies and advancement in technology has made it possible for the development of new form of money viz. CBDC. What is the full form of CBDC?
- Central Bank Digital Certificate
  - Central Bank Dynamic Certificate
  - Central Bank Digital Currency
  - Central Bank Dynamic Currency
55. At present, which of the following Statement is true about the crypto currencies?
- These face Significant Legislative Uncertainties
  - These are not legally recognised in India as currency
  - These are not categorized as money
  - All of the above
56. Choose the correct statement \_\_\_\_\_
- $M_1 =$  currency in circulation, demand deposits, and other deposits with RBI
  - $M_1 =$  currency in circulation, demand deposits, and government securities
  - $M_1 =$  currency in circulation, demand deposits, and time deposits
  - All of these

57. Calculate Narrow Money ( $M_1$ ) from the following data
- |   |          |
|---|----------|
|   | Cr.      |
| Currency with public                        | 7,000    |
| Demand Deposits with Banking System         | 4,00,000 |
| Time Deposits with Banking System           | 4,20,000 |
| Other Deposits with RBI                     | 4,80,000 |
| Saving Deposits of Post office saving banks | 80,000   |
- (a) 13,07,000  
(b) 13,15,000  
(c) 8,87,000  
(d) None of these

58. Calculate currency with the public from the following data (₹ Crore)
- |                                |          |
|--------------------------------|----------|
| 1.1 Notes in Circulation       | 58,000   |
| 1.2 Circulation of rupee Coin  | 1,20,000 |
| 1.3 Circulation of small Coins | 80,000   |
| 1.4 Cash on Hand with Banks    | 28,000   |
- (a) 2,58,000  
(b) 2,30,000  
(c) 2,86,000  
(d) 3,14,000

59. Calculate  $M_3$  from the following data.

1.	Currency with Public	84,000
2.	Demand deposits with banks	68,000
3.	other deposits with RBI	3,612
4.	Total deposits with Post office	22,500
5.	Time deposits with banks	2,00,555
6.	Post office saving bank deposits	5,528

- (a) 1,55,612  
(b) 3,78,667  
(c) 1,61,140  
(d) 3,56,167

60. If the required reserve ratio is 10 percent, currency in circulation is ₹ 400 billion, demand deposits are ₹ 1000 billion, and excess reserves total ₹ 1 billion, find the value of money multiplier.
- (a) 2.97  
(b) 2.79  
(c) 7.29  
(d) 9.27

61. If the reserve ratio (R) is 0.10 and there is an increase in the reserves by ₹ 1,000, what will be the change in the money supply?
- (a) ₹10,000  
(b) ₹1,000  
(c) ₹100  
(d) ₹10

62. If the monetary base in an economy is ₹ 250 crores through an open market operation by the central bank, and the money supply is ₹ 1,000 crores, calculate the money multiplier.
- (a) 0.25  
(b) 1  
(c) 4  
(d) 0.40

63. Calculate broad money  $M_3$ ?
- (a) Currency with public + demand deposits with banks  
(b) Currency with public + demand deposits with banks + net time deposits with the banking system  
(c) Currency with public + Savings with government banks  
(d) Currency with public + Demand Deposits with banks + other deposits with RBI

64. Calculate currency with public

Particulars	(₹) in crores
Notes with public in circulation	23,26,500
currency of small coins in circulation	500
currency of rupee coins in circulation	34,500
cash in hand with banks	80,615

- (a) 22,80,885 Crores  
 (b) 24,42,115 Crores  
 (c) 22,45,885 Crores  
 (d) 23,62,000 Crores
65. Money Multiplier means
- (a) It decreases the total money supply for a given monetary base  
 (b) It dictates interest rates set by RBI  
 (c) The ratio of money supply to monetary base  
 (d) It controls amount of gold reserves held by bank
66. Monetary Policy refers to the use of monetary policy instruments which are at the disposal of the Central Bank \_\_\_\_\_
- (a) To regulate the availability, cost and use of money and credit  
 (b) To achieve price stability  
 (c) To promote economic growth/optimum levels of output and employment, balance of payment equilibrium, etc.  
 (d) All of the above
67. Which of the following is the function of monetary policy?
- (a) Regulate the exchange rate and keep it stable  
 (b) Regulate the movement of credit to the corporate sector  
 (c) Regulate the level of production and prices  
 (d) Regulate the availability, cost and use of money and credit
68. Which of the following is a basic component of monetary policy framework ?
- (a) The objectives of monetary policy  
 (b) The analytics of monetary policy which focus on the transmission mechanism  
 (c) The operating procedure which focus on the operating targets and instruments  
 (d) All of the above are basic components
69. The main objective of monetary policy in India is \_\_\_\_\_
- (a) Reduce food shortages to achieve stability  
 (b) Economic growth with price stability  
 (c) Overall monetary stability in the banking system  
 (d) Reduction of poverty and unemployment
70. When the Central Bank lowers interest rates, monetary policy is \_\_\_\_\_
- (a) Easing  
 (b) Tightening  
 (c) Ineffective  
 (d) None of the above
71. Fundamentally, the primary objective of the monetary policy has been:
- (a) To reduce price stability  
 (b) To curb economic growth  
 (c) To maintain judicious balance between price stability and economic growth  
 (d) None of the above
72. The monetary transmission mechanism refers to:
- (a) How money gets circulated in different sectors of the economy post monetary policy  
 (b) The ratio of nominal interest and real interest rates consequent on a monetary policy  
 (c) The process or channels through which the evolution of monetary aggregates affects the level of product and prices  
 (d) None of the above
73. A contractionary monetary policy-induced increase in interest rates.
- (a) Increases the cost of capital and the real cost of borrowing for firms  
 (b) Increases the cost of capital and the real cost of borrowing for firms and households  
 (c) Decreases the cost of capital and the real cost of borrowing for firms  
 (d) Has no interest rate effect on firms and households

74. During deflation:
- The RBI reduces the CRR in order to enable the banks to expand credit and increase the supply of money available in the economy
  - The RBI increases the CRR in order to enable the banks to expand credit and increase the supply of money available in the economy
  - The RBI reduces the CRR in order to enable the banks to contract credit and increase the supply of money available in the economy
  - The RBI reduces the CRR but increase SLR in order to enable the banks to contract credit and increase the supply of money available in the economy
75. The analytics of monetary policy focus on the transmission mechanisms. Which of the following is included in such mechanism?
- The interest rate channel
  - The exchange rate channel
  - The quantum channel and the asset price channel
  - All of the above
76. Which of the following Statements is incorrect?
- Quantitative instruments are general in nature
  - Quantitative instruments affects all the sectors making use of bank credit
  - Quantitative controls are designed to regulate the direction of credit
  - Quantitative Controls are also known as traditional methods of control
77. As a part of credit control instruments of RBI, which of the following is not a part of Quantitative method?
- Cash Reserve Ratio (CRR)
  - Statutory Liquidity Ratio (SLR)
  - Open Market Operations (OMO)
  - Margin requirements
78. As a part of open market operations, sale of securities by the Central Bank \_\_\_\_\_ the money supply in the economy.
- Decreases
  - Increases
  - Brings no change in
  - Either(a)or(b)
79. \_\_\_\_\_ refers to the minimum percentage of net demand and time liabilities, to be kept by commercial banks with the central bank.
- Statutory Liquidity Ratio
  - Cash Reserve Ratio
  - Bank Rate
  - Repo Rate
- In order to control money supply, the RBI buys and sells government securities in the open market.
80. These operations conducted by the bank are referred to as: central
- Open Monetary Operations
  - Open Money Operations
  - Open Market Operations
  - Open Marginal Operations
81. The commercial banks are required to maintain with themselves, minimum percentage of Net Demand & Time liabilities, in the form of designated liquid assets. This ratio is called as:
- Statutory Liquidity Ratio
  - Cash Reserve Ratio
  - Bank Rate
  - Repo Rate
82. Open Market purchases of government securities by RBI will
- Reduce the Money Supply
  - Reduce the reserves
  - Increase reserves
  - Reduce the reserves and there by reduces the money supply

83. Which of the following is not a channel of monetary transmission mechanism?
- Savings & investments channel
  - Cash Flow Channel
  - Exchange rate channel
  - International Trade Channel
84. Reverse Repo rate is linked to repo rate in the following way :
- Reverse Repo Rate = Repo Rate + 1
  - Reverse Repo Rate = Repo Rate – 1
  - Reverse Repo Rate = Repo Rate  $\times$  0.1%
  - Reverse Repo Rate = Repo Rate  $\times$  0.01%
85. What does RBI publish every six months, providing explanations of the sources of inflation and forecasts for the upcoming period of six to eighteen months?
- Economic Outlook Report
  - Financial Stability Report
  - Monetary Policy Report
  - Inflation Targeting Framework
86. Choose the correct statement.
- MSF = Repo Rate + 1
  - MSF = Repo Rate – 1
  - MSF = Repo Rate  $\times$  0.1%
  - MSF = Repo Rate  $\times$  0.01%
87. The Monetary Policy Framework Agreement is an agreement reached between the Government of India and \_\_\_\_\_ on the maximum tolerable inflation rate the RBI should target to achieve price stability
- IMF
  - IDMD
  - RBI
  - MOF
88. Inflation target from 5/8/2016 to 31/3/2021 is \_\_\_\_\_
- 2% of CPI
  - 4% of CPI
  - 6% of CPI
  - 8% of CPI
89. If Repo Rate is 6% then Reverse Repo Rate will be \_\_\_\_\_ & MsF Rate will be \_\_\_\_\_.
- 7%, 5%
  - 5%, 7%
  - 5%, 6%
  - 7%, 6%
90. If Value of security is 50 lacs and Amount of Loan sanctioned is 40 lacs. calculate margin Requirement.
- 90 Lacs
  - 10 lacs
  - 50 Lacs
  - 40 lacs

# Answer Key

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
A	C	B	A	D	C	A	D	D	C	D	C	B	C	B	A	A	B	B	D

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
D	B	C	C	D	B	B	B	C	D	A	C	B	D	D	C	B	D	C	A

41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
B	C	D	D	D	B	C	B	B	B	D	A	D	C	D	A	C	B	D	B

61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80
A	C	B	A	C	D	D	D	B	A	C	C	B	A	D	C	D	A	B	C



81	82	83	84	85	86	87	88	89	90										
A	C	D	B	C	A	C	B	B	B										