

# QB365 Question Bank Software Study Materials

## Monetary Economics 50 Important 1 Marks Questions With Answers (Book Back and Creative)

12th Standard

Economics

Total Marks : 50

Multiple Choice Question

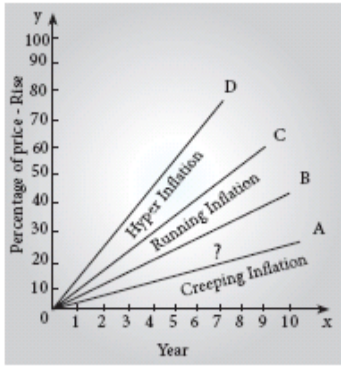
50 x 1 = 50

- 1) The RBI Headquarters is located at  
(a) Delhi (b) Chennai **(c) Mumbai** (d) Bengaluru
- 2) Money is \_\_\_\_\_.  
(a) acceptable only when it has intrinsic value (b) constant in purchasing power **(c) the most liquid of all assets**  
(d) needed for allocation of resources
- 3) Paper currency system is managed by the \_\_\_\_\_.  
**(a) Central Monetary authority** (b) State Government (c) Central Government (d) Banks
- 4) The basic distinction between  $M_1$  and  $M_2$  is with regard to  
(a) post office total deposits **(b) saving deposits with post office savings bank** (c) Terms deposits of banks  
(d) currency
- 5) Irving Fisher's Quantity Theory of Money was popularized in  
(a) 1908 (b) 1910 **(c) 1911** (d) 1914
- 6) MV stands for  
(a) demand for money **(b) supply of legal tender money** (c) Supply of bank money (d) Total supply of money
- 7) Inflation means  
**(a) Prices are rising** (b) Prices are falling (c) Value of money is increasing (d) Prices are remaining the same
- 8) \_\_\_\_\_inflation results in a serious depreciation of the value of money.  
(a) Creeping (b) Walking (c) running **(d) Hyper**
- 9) \_\_\_\_\_inflation occurs when general prices of commodities increases due to increase in production costs such as wages and raw materials.  
**(a) Cost-push** (b) demand pull (c) running (d) galloping
- 10) During inflation, who are the gainers?  
**(a) Debtors** (b) Creditors (c) Wage and salary earners (d) Government
- 11) \_\_\_\_\_is a decrease in the rate of inflation.  
**(a) Disinflation** (b) Deflation (c) Stagflation (d) Depression
- 12) Stagflation combines the rate of inflation with  
**(a) Stagnation** (b) employment (c) output (d) price
- 13) The study of alternating fluctuations in business activity is referred to in Economics as  
(a) Boom (b) Recession (c) Recovery **(d) Trade cycle**

During depression the level of economic activity becomes extremely

- 14) \_\_\_\_\_ depression the level of economic activity becomes extremely low.  
 (a) high (b) bad **(c) low** (d) good
- 15) "Money can be anything that is generally acceptable as a means of exchange and that the same time acts as a measure and a store of value", This definition was given by  
**(a) Crowther** (b) A.C.Pigou (c) F.A.Walker (d) Francis Bacon
- 16) Debit card is an example of  
 (a) currency (b) paper currency **(c) plastic money** (d) money
- 17) Fisher's Quantity Theory of money is based on the essential function of money as  
 (a) measure of value (b) store of value **(c) medium of exchange** (d) standard of deferred payment
- 18) V in  $MV = PT$  equation stands for  
 (a) Volume of trade **(b) Velocity of circulation of money** (c) Volume of transaction  
 (d) Volume of bank and credit money
- 19) When prices rise slowly, we call it  
 (a) galloping inflation **(b) mild inflation** (c) hyper inflation (d) deflation
- 20) \_\_\_\_\_ inflation is in no way dangerous to the economy.  
 (a) walking (b) running **(c) creeping** (d) galloping
- 21) During inflation, who are gainers?  
 (a) Creditors (b) Wage and salary earners (c) Government **(d) Business men**
- 22) In India, currency notes are issued by the\_\_\_\_\_  
 (a) State Bank **(b) RBI** (c) World Bank (d) SBI
- 23) "The purchasing power of money" was a book published by\_\_\_\_\_in 1911  
 (a) J.M. Keynes **(b) Irving Fisher** (c) Adam Smith (d) Ricardo
- 24) The Marshall's equation is expressed as \_\_\_\_\_.  
**(a)  $M = KPY$**  (b)  $MV = PT$  (c)  $n = pk$  (d) None of the above
- 25) **Assertion:** Money has the quality of general acceptability, and all exchanges take place in terms of money.  
**Reason:** On account of the use of money, the transaction has now come to be divided into two parts.  
**(a) Both (A) and (R) are true and (R) is the correct explanation of (A)**  
 (b) Both (A) and (R) are true, but (R) is not the correct explanation of (A) (c) (A) is true, but (R) is false  
 (d) (A) is false, but (R) is true
- 26) Expand the RDR  
 (a) Renew deposit Ratio (RDR) (b) Reserve development Ratio (RDR) (c) Rational deposit Ratio (RDR)  
**(d) Reserve deposit Ratio (RDR)**
- 27) Expand the SLR  
**(a) Statutory Liquidity Ratio (SLR)** (b) State Liquidity Ratio (SLR) (c) Small Liquidity Ratio (SLR)  
 (d) Statutory Liquid Ratio (SLR)
- 28) According to Marshall's equation, the value of money is influenced not only by changes in M, but also by changes in  
 (a) K **(b) P** (c) KI (d) PI

29) Find the missing type of inflation



(a) **Walking Inflation** (b) Running Inflation (c) Creeping Inflation (d) Hyper Inflation

30) \_\_\_\_\_ can be possible When prices rise moderately and the annual inflation rate is a single digit ( 3% - 9%).

(a) **Walking Inflation** (b) Running Inflation (c) Creeping Inflation (d) Hyper Inflation

31) Scarcity induced inflation has happened in Venezuela of the year \_\_\_\_\_.

(a) 2017 (b) **2018** (c) 2016 (d) 2008

32) Which is not a major anti-inflationary fiscal measures are the following

(a) Reduction of Government Expenditure (b) Public Borrowing (c) **Augmenting Foreign Investment**

(d) Enhancing taxation

33) After a period of depression \_\_\_\_\_ sets in.

(a) **recovery** (b) prosperity (c) boom (d) trough

34) **Assertion:** When the disposable income of the people increases, it raises their demand for goods and services.

**Reason:** Disposable income may increase with the rise in national income or reduction in taxes or reduction in the saving of the people.

(a) Both (A) and (R) are true and (R) is the correct explanation of (A)

(b) **Both (A) and (R) are true, but (R) is not the correct explanation of (A)** (c) (A) is true, but (R) is false

(d) (A) is false, but (R) is true

35) Fisher's Equation of quantity theory states that:

(a) P varies directly with income (b) **P varies directly with M** (c) P and M are constant (d) None of the above

36) In Fisher's transaction velocity model, one of the following is not an assumption

(a) Velocity of circulation of money is constant (b) The volume of transactions is constant (c) Full employment

(d) **P is considered as an active factor**

37) In Fisher's equation of exchange  $MV=PT$ , the variation of which produces a proportional change in price:

(a) **M** (b) V (c) P (d) T

38) In  $MV=PT$ , if M doubles and V and T remain constant, then P will:

(a) **Double** (b) 1/2 (c) 1 (d) 4

39) **Assertion:** Fisher extended his original equation of exchange to include bank deposits M1 and its velocity V1.

**Reason:** In a modern economy, bank's demand deposits or credit money and its velocity play a vital part in business.

(a) **Both A and R are true and R is the correct explanation of A**

(b) Both A and R are true but R is not the correct explanation of A (c) A is true but R is false (d) A is false but R is true

40) **Assertion:** When the disposable income of the people decreases, it raises their demand for goods and services.

**Reason:** Disposable income may increase with the rise in national income or reduction in taxes or reduction in the saving of the people.

(a) Both A and R are true and R is the correct explanation of A

(b) Both A and R are true but R is not the correct explanation of A (c) A is true but R is false **(d) A is false but R is true**

41) Match the correct codes

1	Creeping inflation i	Points out to unmanageably high inflation rates that run into two or three digits.
2	Walking or trolling inflation ii	Slow-moving and very mild.
3	Running inflation iii	When prices rise moderately and the annual inflation rate is a single digit 3% - 9%.
4	Galloping inflation or hyper inflation iv	When prices rise rapidly like the running of a horse at a rate of speed of 10% - 20% per annum,

(a) (1) - (i) (2) - (ii) (3) - (iv) (4) - (iii) **(b) (1) - (iii) (2) - (iii) (3) - (iv) (4) - (i)** (c) (1) - (iv) (2) - (iii) (3) - (i) (4) - (ii)

(d) (1) - (i) (2) - (ii) (3) - (iii) (4) - (iv)

42) Who said "inflation is a state of abnormal decrease in the quantity of purchasing power"?

(a) Milton Friedman (b) Walker **(c) Gregorye** (d) Coulbourn

43) Who designed the symbol for Indian Rupee?

(a) Ining Fisher **(b) D. Udaya Kumar** (c) Marshall (d) Davanzatti

44) Who gave the transaction approach?

**(a) Irving Fisher** (b) D. Udaya Kumar (c) Marshall (d) Davanzatti

45) When was the first used?

**(a) 15<sup>th</sup> July 2010** (b) 2011 (c) 2006 (d) 2007

46) Identify plastic money.

(a) Pre paid cash cards (b) Cash card (c) Forex cards **(d) all the above**

47) Give an example for crypto currency

(a) Cash card (b) Forex card **(c) Bitcoin** (d) Smart card

48) \_\_\_\_\_ are issued by Ministry of Finance, Government of India.

**(a) Coins** (b) Currency notes (c) Both (a) & (b) (d) None

49) Currency, coins and demand deposits come under

(a) M<sub>4</sub> (b) M<sub>3</sub> (c) M<sub>2</sub> **(d) M<sub>1</sub>**

50) \_\_\_\_\_ is a monetary measure to control inflation.

**(a) Reverse repo rate** (b) Rationing (c) Enhancing taxation (d) All the above