

HERAMB PROFESSIONAL INSTITUTE

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CA-CPT / ECONOMICS

MARKS: 50

DURATION: 1 HR

1. Money in traditional sense:
 - (a) Serves as a medium of exchange
 - (b) Serves as a store of value
 - (c) Serves as both medium of exchange and store of value.
 - (d) Serves neither as medium of exchange and store of value

2. Money includes :
 - (a) Currencies and demand deposits
 - (b) Bonds government securities
 - (c) Equity shares
 - (d) All of the above.

3. Which of the following statements about money is incorrect?
 - (a) There are many assets which carry the attribute on money
 - (b) Money is what money does
 - (c) In modern sense, money has stability, high degree of substitutability and feasibility of measuring statistical variation.
 - (d) None of the above

4. M_1 in the money stock in India refers to :
 - (a) Post office saving deposits.
 - (b) Total post office deposits
 - (c) Currency plus demand deposits plus other deposits with RBI
 - (d) Time deposits with banks

5. The basis distinction between narrow and broad monies is the
 - (a) Treatment of post office deposits
 - (b) Treatment of time deposits of banks
 - (c) Treatment of savings deposits of banks.
 - (d) Treatment of currency.

6. According to the RBI's Third working Group, $NM_2 +$ Long Term Term Deposits with Banks with maturity over one year + Call / Term borrowing of the banking system is equal to
 - (a) NM_1 (b) NM_2 (c) NM_3 (d) NM_4

7. Which of the following statements about banks is incorrect
 - (a) Banks encourage saving habits among people.
 - (b) banks mobilize savings and make them available for production.
 - (c) banks help in creating credit money.(d) None of the above

8. Commercial banks in India were nationalized in 1969 because
 - a. There was urban bias.
 - b. Agriculture sector was neglected
 - c. There was concentration of economic power.

d. All of the above.

9. Nationalization of banks aimed at all of the following except

- a. Removal of control by a few.
- b. Provision of credit to big industries only.
- c. Provision of adequate credit for agriculture, small industry and export units.
- d. Encouragement of a new class of entrepreneur.

10. Rural bank branches constitute ____ per cent of total bank branches in India

- (a) 14 (b) 60 (c) 37 (d) 82

11. Population per bank in India is

- (a) Around 5000 (b) Around 20000 (c) Around 12500 (d) Around 45000

12. In terms of deposit mobilization, _____ leads other states.

- (a) U.P. (b) Maharashtra (c) Kerala (d) Bihar

13. Commercial banks suffer from

- (a) Regional imbalances (b) Increasing overdues
- (c) Lower inefficiency (d) All of the above

14. Who is the official “lender of the last resort” in India?

- (a) SBI (b) PNB (c) RBI (d) OBC

15. _____ refers to that portion of total deposits of a commercial bank which it has to keep

with RBI in the form of cash reserves.

- (a) CRR (b) SLR (c) Bank Rate (d) Repo Rate

16. Narrow money refers to

- (a) M₁ (b) M₂ (c) M₃ (d) M₄

17. CRR in September, 2012 was ____ per cent.

- (a) 4 (b) 6 (c) 4.5 (d) 5.5

18. At present, SLR is ____ per cent. (September, 2012)

- (a) 23 (b) 30 (c) 35 (d) 40

19. _____ is the official minimum rate at which the Central Bank of a country is prepared to rediscount approved bills held by banks.

- (a) CRR (b) SLR (c) Bank Rate (d) Repo Rate

20. At present, Bank rate is _____ per cent. (September, 2012)

- (a) 5 (b) 9 (c) 6.5 (d) 5.5

21. In order to control credit in the country, the RBI may

- (a) Buy securities in the open market. (b) Sell securities in the open market.
- (c) Reduce CRR (d) Reduce Bank Rate.

22. In order to discourage investment in the economy, the RBI may
(a) Increase Bank Rate (b) Decrease Bank Rate.
(c) Buy securities in the open market (d) Decrease CRR.
23. The effect of increase CRR will be reduced or nullified if:
(a) Bank rate is reduced.
(b) Securities are sold in the open market.
(c) SLR is increased.
(d) People do not borrow from non- banking institutions.
24. In order to control credit
(a) CRR should be increased and bank Rate should be decreased.
(b) CRR should be reduced and bank Rate should be reduced
(c) CRR should be increased and Bank Rate should be increased.
(d) CRR should be reduced and Bank Rate should be increased.
25. _____ controls affect indiscriminately all sectors of the economy.
(a) Selective credit (b) Quantitative
(c) Margin requirements. (d) None of the above
26. During depression, it is advisable to.
(a) Lower Bank Rate and purchase securities in the market.
(b) Increase Bank Rate and purchase securities in the open market.
(c) Decrease Bank Rate and sell securities in the open market.
(d) Increase Bank Rate and sell securities in the open market.
27. Which of the following statements is correct?
(a) The RBI is just like any ordinary commercial bank in India
(b) The RBI is responsible for the overall monetary policy in India
(c) Selective credit control measures affect all banks in a similar manner.
(d) A high rate of interest encourages new investments
28. The lender of last resort means
(a) The government coming to the rescue of poor farmers
(b) Central Bank coming to the rescue of other banks in times of financial crisis.
(c) Commercial banks coming to the rescue of small industrial units.
(d) None of the above
29. The profitability ratio of bank has declined over the years due to
(a) Lower interest on government borrowings from banks.
(b) Subsidization of credit to priority sector.
(c) High expenditure resulting from overstaffing and mushrooming of branches.
(d) All of the above.
30. Which of the following statements is correct
(a) Rural areas have nearly 37 per cent of bank branches but more than 70% of the population residing there

- (b) Banks are evenly spread out
- (c) Most of the banks have almost nil NPAs.
- (d) None of the above.

31. In an economy narrow money is equal to the sum of _____.

- (i) RBI currency notes in circulation.
 - (ii) Rupee coins and notes in circulation.
 - (iii) Small coins.
 - (iv) Demand deposits with banks and other deposits with RBI.
- (a) Both (i) and (ii) above. (b) Both (ii) and (iii) above.
(c) All (i), (ii), (iii), (iv) above. (d) Only (i) and (iv) above

32. Commercial banks should rely more on _____

- (a) Medium term advances (b) Long Term advances
- (c) Short term advances (d) Very long term advances

33. The bank rate is raised during :

- (a) Stagflation (b) Deflation (c) Devaluation (d) Inflation

34. Banks should achieve greater :

- (a) Dispersal of service (b) Profitability
- (c) Both (a) and (b) above (d) None of (a) or (b) above.

35. Time deposits with banks are included in _____ measure of money stock.

- (a) M1 (b) M3 (c) M4 (d) Both (b) and (c) above

36. Which is the Central Bank of India?

- (a) State Bank of India (b) Central Bank of India
- (c) Reserve Bank of India (d) Standard Chartered Bank

37. Who is called the 'Bank of Issue'?

- (a) RBI (b) SBI (c) IDBI (d) ICICI

38. Open Market Operation (OMO) is the part of

- (a) Income policy (b) Fiscal policy (c) Credit policy (d) Labour policy

39. Broad money refers to

- (a) M1 (b) M2 (c) M3 (d) M4

40. Narrow money refers to

- (a) M1 (b) M2 (c) M3 (d) M4

41. Who is custodian of national reserves of international currency?

- (a) HDFC (b) IDBI (c) FCI (d) RBI

42. Find the odd one out:

- (a) SBI (b) RBI (c) BOB (d) BOI

43. Which of the following statements is not correct?
(I) Commercial banks have unlimited powers of credit creation.
(II) Lower interest rate always lead to a higher level of investment.
(III) Bank rate is the rate at which bank offers loans to public.
(a) Only III above (b) Both I and II above
(c) Only I and III above (d) All of the above are not correct.
44. In terms of deposit mobilization, which Indian state leads other states?
(a) Kerala (b) West Bengal
(c) Maharashtra (d) Uttar Pradesh
45. The definition of money includes
(a) Only currency notes and coins
(b) Currency and demand deposits
(c) Currency, demand deposits and other financial assets
(d) Currency and foreign exchange reserves
46. Prices in a barter economy
(a) Cannot exist
(b) Are fixed by law
(c) Are in relative quantities of goods exchanged
(d) Are in terms of the acceptable unit of value
47. If the quantity of money increases, value of money will
(a) Increases (b) Decreases
(c) Remains constant (d) None of these
48. Money is
(a) A liability
(b) A claim
(c) Somebody's claim and somebody else's liability
(d) All of the above
49. Banks create credit
(a) On the basis of their securities (b) On the basis of their cash deposits
(c) On the basis of their total assets (d) Out of nothing
50. A commercial bank can accept deposit from the public in the form of
(a) Saving Account (b) Current Account
(c) Fixed deposit (d) All of the above