

C. Select the correct answer and rewrite the statement :

1. Traditional measure of money supply includes :
 - (a) demand deposits and time deposits
 - (b) currency and time deposits
 - (c) currency and demand deposits
2. The main authors of broad money are
 - (a) Marshall, J.M. Keynes, A.C. Pigou
 - (b) Gurly-Shaw, Milton Friedman, Radcliff Committee
 - (c) Paul Krugman, Irving Fisher, Robertson
3. High powered money includes
 - (a) Money with public and central bank
 - (b) Currency with public, cash reserves of banks and other deposits with central bank
 - (c) Deposits with commercial banks, money with government, money with the public
4. The value of money multiplier is determined by
 - (a) Currency deposit ratio and time deposit
 - (b) Currency deposit ratio and coins and notes
 - (c) Currency deposit ratio and reserve ratio
5. The Radcliff Committee suggested that money supply should include
 - (a) Liabilities of NBFIs
 - (b) Time deposits
 - (c) Funds lent by financial institutions
6. The broader measure of money supply adopted by the RBI is referred to as
 - (a) Aggregate Monetary Resources
 - (b) Aggregate Monetary Measurements
 - (c) Aggregate Money Supply
 - (d) Aggregate Monetary Ratios
7. The average number of times a unit of money is used for making payments for final goods and services is known as
 - (a) Transaction velocity
 - (b) Monetary velocity
 - (c) Income velocity
 - (d) Growth velocity
8. The money multiplier is measured as
 - (a) $mm = 1 + r / 1 + k$
 - (b) $mm = 1 + r / r + k$
 - (c) $mm = 1 + k / 1 + r$
 - (d) $mm = 1 + k / r + k$

9. Which of the following determines money supply?
- (a) High powered money
 - (b) Money multiplier
 - (c) Community's choice
 - (d) All the above
10. Which of the following is not true of excess reserves held by commercial banks?
- (a) Banks statutorily hold them.
 - (b) They are determined by clearing drain and currency drain
 - (c) They are voluntarily held by banks
 - (d) They influence the money multiplier

Ans. (1) - (c), (2) - (b), (3) - (b), (4) - (c), (5) - (c), (6) - (a), (7) - (c), (8) - (d), (9) - (d), (10) - (a)

B. Select the correct answer and rewrite the sentence :

1. Transactions demand for money is explained by
 - (a) neo-classical economists
 - (b) classical economists
 - (b) post-Keynesian economists
2. Transaction motive is further sub-divided into
 - (a) speculative and precautionary
 - (b) profit and business
 - (c) income and business
3. Demand for speculative motive is referred to as demand for
 - (a) active cash balance
 - (b) idle cash balance
 - (c) both active and idle cash balance
4. Demand for transaction and precautionary motive is interest
 - (a) elastic
 - (b) unit elastic
 - (c) inelastic

5. Which of the following is not true of liquidity trap?
- (a) It is a condition that takes place at a very low rate of interest
 - (b) An increase in money supply would not affect the rate of interest
 - (c) It represents perfectly elastic demand for liquidity
 - (d) People prefer bonds instead of cash
6. The inverse relationship between the rate of interest and bond prices is due to
- (a) High opportunity cost of holding cash
 - (b) Constant money supply
 - (c) Inflation
 - (d) All the above
7. According to Keynes, interest is
- (a) price paid for saving
 - (b) price paid for investment
 - (c) price paid for parting with liquidity

Ans. (1) - (b), (2) - (c), (3) - (b), (4) - (c), (5) - (d), (6) - (a), (7) - (c)

2. Which of the following represents Fisher's equation?
 - (a) $MV = PT$
 - (b) $M = kPY$
 - (c) $V = M/P$
 - (d) $P = M/kT$
3. In Fisher's equation, which of the following is exogenously determined?
 - (a) P
 - (b) T
 - (c) V
 - (d) M
4. _____ first developed the Cambridge version of the quantity theory of money.
 - (a) Adam Smith
 - (b) J.S. Mill
 - (c) Alfred Marshall
 - (d) David Ricardo
5. Cambridge 'k' represents
 - (a) Velocity of circulation of money
 - (b) Money supply
 - (c) Average price
 - (d) A proportion of real income held as cash balances
6. Which of the following is not true of the Cambridge version of quantity theory of money?
 - (a) Considers store of value function of money
 - (b) Considers only transaction motive for holding money
 - (c) Considers k as a constant
 - (d) Considers M to be exogenously determined

Ans. (1) - (a), (2) - (a), (3) - (d), (4) - (c), (5) - (d), (6) - (b)

B. Select the correct answer and rewrite the statement :

1. Which of the following is not a direct cause of demand-pull inflation?
(a) Deficit financing (b) Credit creation
(c) Scarcity of raw materials (d) Black money
2. Investment is stimulated if
(a) Inflation occurs at less than full employment level
(b) Inflation occurs at full employment level
(c) Inflation occurs after full employment level
(d) Inflation occurs due to supply side factors
3. Inflation is beneficial to
(a) Fixed income group (b) Business people
(c) Creditors
4. In cost-push inflation the supply curve shifts to the
(a) left (b) right
(c) horizontally upward
5. Which of the following groups suffer during inflation?
(a) Fixed income earners (b) Creditors
(c) Both
6. During inflation
(a) value of money increases
(b) value of money remains constant
(c) value of money declines
7. In a developing countries inflation is the results of
(a) Demand-pull factors (b) Cost-push factors
(c) Both (a) and (b)

Ans: (1) - (c), (2) - (a), (3) - (b), (4) - (a), (5) - (c), (6) - (c), (7) - (c)

B. Choose the correct answer and rewrite the statements :

1. Monetary policy aims at influencing
 - (a) Availability of money
 - (b) Cost of money
 - (c) Use of money
 - (d) All the above
2. Objectives of monetary policy are
 - (a) Economic growth
 - (b) Price stability
 - (c) Full employment
 - (d) All the above
3. Bank rate is the interest charged by the
 - (a) Commercial banks
 - (b) Central bank
 - (c) Co-operative bank
4. Under open market operation, the Central bank _____ the government securities.
 - (a) buys
 - (b) sells
 - (c) both (a) and (b)
5. When CRR is increased, banks reserves are
 - (a) increased
 - (b) decreased
 - (c) remains the same
6. Repo rate is the rate of interest paid by
 - (a) People
 - (b) Commercial banks
 - (c) Central bank

Ans: (1) - (d), (2) - (d), (3) - (b), (4) - (c), (5) - (b), (6) - (b)