

	BCM SCHOOL,BASANT AVENUE DUGRI ROAD ,LUDHIANA	
	XII ECONOMICS (030)	
	CH- Money & BANKING	M.M. 15
1.	The formula used for calculating money multiplier . (Choose the correct alternative) (a) 1/Cash Reserve Ratio (b) 1/Statutory Liquidity Ratio (c) 1/Legal Reserve Ratio (d) All of the above	1
2.	Suppose initial deposit with bank 25,000 and Legal Reserve Ratio 20%. How much total money created in the economy?	1
3.	The interest rate paid by the banks to depositors is lower than the rate charged from the borrower. money difference between these two types of interest rates, called the _____ is the profit appropriated by (Fill in the blank with correct answer)	1
4.	Define primary deposits	1
5.	In order to encourage investments in the economy, the Central Bank may. (a) Reduce Cash Reserve Ratio (b) Increase Statutory Liquidity Ratio (c) Sell Government Securities in Open Market (d) Increase Bank Rate	1
6.	What is Money multiplier'? What is the relation between LRR and money multiplier? Explain with example.	3
7.	Explain 'Banker's Bank' function of Central Bank.	3
8.	How do changes in Bank Rate affect the money supply in an economy? Explain.	4