



SHIKSHA CLASSES

Sub. : Economics
Std. : X (CBSE)

Answer Paper
3 . Money and Credit

Total Marks : 20

SECTION-A

Q.1 : What is the Meaning of double coincidence of wants?
1m

Ans : Both parties have to agree to sell and buy each others commodities. This is known as double coincidence of wants.

Q.2 : What was used Before the introduction of coins?

Ans : Before the introduction of coins, a variety of objects was used as money. For example, since the very early ages, Indians used grains and cattle as money.

OR

Write two examples of Modern forms of money?

Ans : Modern forms of money include currency — paper notes and coins.

Q.3 : What are demand deposits?

Ans : The deposits in the bank accounts can be withdrawn on demand, these deposits are called demand deposits.

Q.4 : What is barter system?

Ans : A barter system where goods are directly exchanged without the use of money.

Q.5 : What is medium of exchange?

Ans : Money acts as an intermediate in the exchange process, it is called a medium of exchange.

OR

What is cheque?

Ans : A cheque is a paper instructing the bank to pay a specific amount from the person's account to the person in whose name the cheque has been issued.

SECTION- B

Q.6. : What do the banks do with the deposits which they accept from the public?

Ans : Banks keep only a small proportion of their deposits as cash with themselves.

For example, banks in India these days hold about 15 per cent of their deposits as cash.

This is kept as provision to pay the depositors who might come to withdraw money from the bank on any given day.

Banks use the major portion of the deposits to extend loans.

There is huge demand for loans for various economic activities.

OR

Cheap and affordable credit is crucial for the country's development. Justify the statement.

Ans : Banks and cooperative societies need to lend more to the poor and the Farmers.

- This would lead to higher incomes and many people could then borrow cheaply for a variety of needs. —They could grow crops, do business, set up small-scale industries etc.
- They could set up new industries or trade in goods.

Q.7 : What is the importance of terms of credit?

Ans : Interest rate, collateral and documentation requirement, and the mode of repayment together comprise what is called the terms of credit.

Every loan agreement specifies an interest rate which the borrower must pay to the lender along with therepayment of the principal.

In addition, lenders may demand collateral (security) against loans.

Collateral is an asset that the borrower owns (such as land, building, vehicle, livestock, deposits with banks) and uses this as a guarantee to a lender until the loan is repaid.

If the borrower fails to repay the loan, the lender has the right to sell the asset or collateral to obtain payment.

Property such as land titles, deposits with banks, livestock are some common examples of collateral used for borrowing.

OR

What is the deference between formal sector loans and informal sector loans?

Ans : The various types of loans can be conveniently grouped as formal sector loans and informal sector loans.

- The former are loans from banks and cooperatives.
- The informal lenders include moneylenders, traders, employers, relatives and friends, etc.

SECTION- C

Q.8 : Read the following passage and answer the following questions.

In recent years, people have ----- handlooms, cattle, etc.

1) SHG stands for.....

1 m

Ans : Self Help Groups

2) How many members SHG comprises?

1m

Ans : A typical SHG has 15-20 members

OR

What is the saving of per member in SHG?

Ans : Saving per member varies from Rs 25 to Rs 100 or more

3) How is the SHG small loan useful for its members?

2m

Ans : Small loans are provided to the members for releasing mortgaged land, for meeting working capital needs (e.g. buying seeds, fertilisers, raw materials like bamboo and cloth), for housing materials, for acquiring assets like sewing machine, handlooms, cattle, etc.

SECTION-D

Q.9 : Why is it money accepted as a medium of exchange?

Ans : It is accepted as a medium of exchange because :

- The currency is authorised by the government of the country.
- In India, the Reserve Bank of India issues currency notes on behalf of the central government.
- As per Indian law, no other individual or organisation is allowed to issue currency.
- The law legalises the use of rupee as a medium of payment that cannot be refused in settling transactions in India.
- No individual in India can legally refuse a payment made in rupees.

OR

What is the role of RBI? Explain with reference to the formal sources of loans?

Ans : The Reserve Bank of India supervises the functioning of formal sources of loans.

- The RBI monitors the banks in actually maintaining cash balance.
The RBI sees that the banks give loans not just to profit-making businesses and traders but also to small cultivators, small scale industries, to small borrowers etc.
- Periodically, banks have to submit information to the RBI on how much they are lending, to whom, at what interest rate, etc.

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