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MCQ's For Money and Banking [Money only]

Objective Questions:

1. "Money is what money does". Who said it?
 - a. Crowther
 - b. Robertson
 - c. Walker/ Hartley
 - d. Paul Einzig.

2. Money in the normal sense, means:
 - a. Currency
 - b. Currency and demand deposits
 - c. Currency and all bank deposits
 - d. All liquid assets.

3. Find out the correct statement:
 - a. Money must essentially be legal tender
 - b. Demand deposit of bank are also money
 - c. True deposits of bank are also money
 - d. All money is currency.

4. Which of the following is an essential function of money?
 - a. Store of value
 - b. Measurement of value
 - c. Transfer of value
 - d. Basis of credit.
5. Paul Einzig classified the functions of money as:
 - a. Primary and secondary
 - b. Essential and subsidiary
 - c. Static and dynamic
 - d. Contingent and other.
6. Which of the following is known as 'Actual Money'?
 - a. Unit of currency
 - b. Unit of account
 - c. Commodity money
 - d. Representative money.
7. J. M. Keynes has classified money as :
 - a. Actual Money and Money of Account
 - b. Unit of Currency and Unit of Account
 - c. Legal Tender Money and Optional Money
 - d. Metallic Money and Paper Money.
8. Which of the following is not a characteristic of Standard Coin ?
 - a. Principal coin of the country
 - b. Face value is equal to intrinsic value
 - c. Free coinage

- d. Limited legal tender
9. Which of the following types of Paper Money is presently in circulation?
- a. Representative
 - b. Convertible
 - c. Inconvertible
 - d. Fiat.
10. Which is a part of liquid money?
- a. Cash
 - b. Building
 - c. Goods
 - d. None of these.
11. Which is a digital currency?
- a. Debit Card
 - b. Dollar
 - c. Pound
 - d. Bitcoin.
12. Who considered money as barren and compared it with a highway which itself did not grow even a single blade of grass?
- a. J. S. Mill
 - b. Adam Smith
 - c. Marshall
 - d. Benham.

13. "Money is the pivot around which economic science clusters". Who said it
- Adam Smith
 - Pigou
 - Marshall
 - Keynes.
14. According to Keynes:
- Change in prices is a monetary phenomenon
 - Money has an indirect effect on prices through expenditure
 - Money is a veil
 - Money is demanded as a wealth asset
15. Money as a basis of price mechanism is most effective in:
- Capitalist economy
 - Socialist economy
 - Planned economy
 - Mixed economy.
16. Which of the following is not an evil of money?
- Uncertainty in economic life
 - A link between present and future
 - Faint less steward of wealth
 - Over production.
17. An essential characteristic of Gold Standard is :
- Circulation of full-bodied gold coins

- b. Convertibility of currency into gold
- c. 100% gold reserves for money into circulation
- d. The value of principal currency defined in terms of gold.

18. When the money in circulation is defined in terms of a foreign, currency which is based on gold standard, it is a case of :

- a. Gold Bullion Standard
- b. Gold Exchange Standard
- c. Gold Reserve Standard
- d. Gold Parity Standard.

19. Exchange equalization funds were established under which form of Gold Standard?

- a. Gold Exchange Standard
- b. Gold Bullion Standard
- c. Gold Reserve Standard
- d. Gold Parity Standard.

20. Working of Gold Standard does not essentially require :

- a. Stability of exchange rates
- b. Stability of internal prices
- c. Free trade
- d. Elastic demand.

21. Bimetallism existed upto:

- a. 1873
- b. 1803
- c. 1900

- d. 1930.
22. Which of the following is not a characteristic of Bimetallism?
- a. Circulation of gold and silver coins together
 - b. Coins are unlimited legal tender
 - c. The ratio between the gold and silver coins is fixed by market rate
 - d. Both coins have equality intrinsic value between face value and intrinsic value.
23. The relationship between value of money and general price level is—
- a. Direct
 - b. Indirect
 - c. Inverse
 - d. Proportional.
24. The Base year for the present wholesale price index series in India is—
- a. 1970-71
 - b. 1980-81
 - c. 1991-92
 - d. 1993-94.
25. Which of the following statements is correct?
- a. Index numbers represent mathematically exact information
 - b. Weights are assigned in a scientific manner for weighted index numbers
 - c. Index numbers are useful in comparing economic changes in different countries

- d. Index numbers are prepared with a definite objective in view.
26. Difficulty in the choice of base year in the construction of index numbers relates to—
- a. Conceptual difficulty
 - b. Practical Difficulty
 - c. Use Difficulty
 - d. None of these
27. Money supply means
- a. Currency money
 - b. Cash balances held by the government and the banks
 - c. Total stock of money in circulation at any moment
 - d. Currency notes in circulation.
28. Velocity of circulation of money will be high when there is -----
- a. Large quantity of money
 - b. Small frequency of cash transactions
 - c. Shorter intervals of wage payments
 - d. Irregularity of income.
29. The classical economists believed that demand for money is—
- a. Stable in the short-term
 - b. Stable in the long run
 - c. Determined by the size of cash balances
 - d. Dependent on subjective factors.
30. Demand for money in the modern sense is dependent on—

- a. Volume of exchange
 - b. Liquidity preference
 - c. Velocity of circulation
 - d. Volume of money supply
31. Other things remaining the same, the quantity of money in Fisher., approach has —
- a. Direct proportional relationship with price level
 - b. Direct proportional relationship with value of money
 - c. Inverse proportional relationship with price level
 - d. No relation with the value of money.
32. Which of the following is not an assumption for Quantity Theory of Money?
- a. The price-level is an inactive element in the equation of exchange
 - b. Volume of transactions does not remain constant
 - c. Constant ratio between legal tender money and credit money
 - d. Constant velocity of circulation.
33. In the equation $P = MV + M' V'$ which element is not assumed to be constant—
- a. P
 - b. V
 - c. M
 - d. T
34. The volume of K in Cambridge equation depends on—
- a. Money supply
 - b. Real national income

- c. Velocity of circulation
 - d. Interest rate.
35. Which of the following equations was given by Pigou?
- a. $P = M/Ky$
 - b. $P = KR/M$
 - c. $P = KT/M$
 - d. $P = MV/T$.
36. Which of the following statements is true for Cambridge approach in comparison to Fisher's approach?
- a. More importance of money supply
 - b. Long-term analysis
 - c. More importance of demand for money
 - d. Dependence on interest rates for Cash balances.
37. Which of the following factors creates demand-pull situation?
- a. Increase in production
 - b. Increase in cost of production
 - c. Increase in money income
 - d. Increase in demand for cash balances.
38. What is Keynes' view on excess demand?
- a. Increase in money supply more than the proportion of increase in productivity
 - b. Excess demand can arise even when there is no change in money supply
 - c. Excess demand is caused by increased money supply
 - d. Excess demand is caused by increase in wage rates.

39. Phillips' curve shows relationship between—
- Inflation and employment
 - Wage rate and unemployment
 - Rate of tax and tax revenue
 - Public revenue and expenditure.
40. The concept of inflationary gap was given by-
- Wicksell
 - Keynes
 - Milton Friedman
 - A.W. Phillips
41. Which of the following measures will help in checking inflation
- Fall in Bank rate
 - Increase in public expenditure
 - Devaluation
 - Stability in exchange rates,
42. Inflation is beneficial to which of the following sections of mow,:
- Creditors
 - Investors in bonds and securities
 - Debtors
 - Consumers.

Answer key for Money and Banking MCQ Part 1:

QUESTION NO.	Answers
1	c
2	b
3	b
4	b
5	b
6	a
7	a
8	d
9	c
10	a
11	d
12	b
13	c
14	b
15	a
16	b
17	d
18	b
19	c
20	b
21	c
22	c
23	c
24	d

25	d
26	b
27	c
28	c
29	a
30	b
31	a
32	b
33	c
34	b
35	b
36	c
37	c
38	b
39	b
40	b
41	d
42	a