



INDIAN SCHOOL SOHAR
UNIT TEST 1 (2022 – 2023)
ECONOMICS (030) [SET1]

STD: - XII
Date: - 25/05/ 2022

Max Marks: - 20
Duration: 45 Min

General Instructions: -

- (i) Answers to questions carrying 1 mark may be from one word to one sentence.
- (ii) Answers to questions carrying 3 marks may be from 50 – 75 words.
- (iii) Answers to questions carrying 4 marks may be about 150 words.
- (iv) Answers to questions carrying 5 marks may be about 200 words.

1. Read the following statements choose the correct alternatives [1]

Assertion (A) – Commercial banks are a source of money supply only as a creator of credit.

Reason (R) – Commercial banks design all instruments of monetary policy and also controls them

Alternatives:

- A. Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
- B. Both Assertion (A) and Reason (R) are true, and Reason (R) is not the correct explanation of Assertion (A).
- C. Assertion (A) is true, but Reason (R) is false.
- D. Assertion (A) is false, but Reason (R) is true

2. The advent of British Rule in India paved way for the decay of our traditional handicrafts. Identify which of the following may not have been one of the reasons for the decay of traditional handicrafts of India? [1]

- A. Huge tariff on import of goods by India
- B. Change in taste and preference of the people
- C. Compensation from machine made goods
- D. Rise in the princely states

3. High powered money includes _____. [1]

- A. Money held by the people.
- B. Vault cash of the commercial bank
- C. Cash reserves of the commercial bank with RBI
- D. All of the above

4. Credit creation by the commercial banks is equal to [1]
- A. $\frac{1}{RR}$
 - B. $\frac{1}{RR} \times \frac{1}{CRR}$
 - C. $\frac{1}{RR} \times \frac{1}{SLR}$
 - D. $\frac{1}{RR} \times TOTAL DEPOSITS$

5. Read the following statement. Write True or False with reason. [1]

“Commercialisation of agriculture under the British Rule was encouraged to benefit the farmers.”

6. Differentiate between [3]

- A. bank rate and repo rate
- B. Qualitative instruments of credit control and quantitative instruments of credit control

7. What objectives did the British intend to achieve through their policies of infrastructure development in India? [3]

OR

Explain the demographic profile of India at the time of independence.

8. Define money. Explain the functions of money. [4]

9. Briefly discuss the following functions of a central bank: [5]

- A. Banker's bank
- B. Lender of the last resort

OR

Explain the process of money multiplier by a commercial bank using a hypothetical numerical example.