

Monetary Economics 1 MARKS

12th Standard

Economics

100 x 1 = 100

- 1) The RBI Headquarters is located at
(a) Delhi (b) Chennai (c) Mumbai (d) Bengaluru
- 2) Money is
(a) acceptable only when it has intrinsic value (b) constant in purchasing power (c) the most liquid of all assets (d) needed for allocation of resources
- 3) Paper currency system is managed by the
(a) Central Monetary authority (b) State Government (c) Central Government (d) Banks
- 4) The basic distinction between M_1 and M_2 is with regard to
(a) post office deposits (b) time deposits of banks (c) saving deposits of banks (d) currency
- 5) Irving Fisher's Quantity Theory of Money was popularized in
(a) 1908 (b) 1910 (c) 1911 (d) 1914
- 6) MV stands for
(a) demand for money (b) supply of legal tender money (c) Supply of bank money (d) Total supply of money
- 7) Inflation means
(a) Prices are rising (b) Prices are falling (c) Value of money is increasing (d) Prices are remaining the same
- 8) _____inflation results in a serious depreciation of the value of money.
(a) Creeping (b) Walking (c) running (d) Hyper
- 9) _____inflation occurs when general prices of commodities increases due to increase in production costs such as wages and raw materials.
(a) Cost-push (b) demand pull (c) running (d) galloping
- 10) During inflation, who are the gainers?
(a) Debtors (b) Creditors (c) Wage and salary earners (d) Government
- 11) _____is a decrease in the rate of inflation.
(a) Disinflation (b) Deflation (c) Stagflation (d) Depression
- 12) Stagflation combines the rate of inflation with
(a) Stagnation (b) employment (c) output (d) price
- 13) The study of alternating fluctuations in business activity is referred to in Economics as
(a) Boom (b) Recession (c) Recovery (d) Trade cycle
- 14) During depression the level of economic activity becomes extremely
(a) high (b) bad (c) low (d) good
- 15) "Money can be anything that is generally acceptable as a means of exchange and that the same time acts as a measure and a store of value", This definition was given by
(a) Crowther (b) A.C.Pigou (c) F.A.Walker (d) Francis Bacon
- 16) Debit card is an example of
(a) currency (b) paper currency (c) plastic money (d) money

- 17) Fisher's Quantity Theory of money is based on the essential function of money as
 (a) measure of value (b) store of value (c) medium of exchange (d) standard of deferred payment
- 18) V in $MV = PT$ equation stands for
 (a) Volume of trade (b) Velocity of circulation of money (c) Volume of transaction (d) Volume of bank and credit money
- 19) When prices rise slowly, we call it
 (a) galloping inflation (b) mild inflation (c) hyper inflation (d) deflation
- 20) _____ inflation is in no way dangerous to the economy
 (a) walking (b) running (c) creeping (d) galloping
- 21) Liquid form of assets
 (a) Bills of payment (b) Gold (c) Money (d) Silver
- 22) Deflation means
 (a) Prices are rising (b) Prices are falling (c) Value of money is increasing (d) Prices are remaining the same
- 23) During inflation, who are gainers?
 (a) Creditors (b) Wage and salary earners (c) Government (d) Business men
- 24) Inflation is 'taxation without legislation' was said by _____
 (a) Rudi Dornbusch (b) Adam Smith (c) Milton Friedman (d) Alfred Marshall
- 25) Money is the most liquid form of _____
 (a) revenue (b) capital (c) both 'a' and 'b' (d) none of the above
- 26) In India, currency notes are issued by the _____
 (a) State Bank (b) RBI (c) World Bank (d) SBI
- 27) The symbol of India rupee came into use on _____
 (a) 15th July, 2010 (b) 16th July, 2010 (c) 15th June, 2010 (d) 16th June, 2010
- 28) India is the _____ country to accept a unique currency symbol.
 (a) 4th (b) 6th (c) 5th (d) 7th
- 29) Fisher's Quantity theory of Money was first propounded in 1588 by an Italian economist.
 (a) Davanzatti (b) Malthus (c) Ricardo (d) Harry Dexter White
- 30) The general form of equation given by Fisher is _____
 (a) $MV = PT$ (b) $M = KPY$ (c) $N = P/K$ (d) None of the above
- 31) The exchange of one good for another without the use of money is called _____
 (a) Supply of Money (b) Inflation (c) Deflation (d) Barter
- 32) Phases of trade cycle is classified into _____ types
 (a) 1 (b) 2 (c) 3 (d) 4
- 33) "A state of abnormal increase in the quantity of purchasing power" was said by _____.
 (a) Coulbourn (b) Gregorye (c) Ricardo (d) Malthus
- 34) Barter system was introduced by _____ tribes.
 (a) Mesopotamia (b) Phoenician (c) Babylonian (d) Jarwa
- 35) Disinflation is the slowing down the rate of _____
 (a) Deflation (b) Inflation (c) Stagflation (d) Depression
- 36) Irving Fisher's _____ was published in 1911.
 (a) Quantity theory of (b) Liquidity (c) Quality theory of (d) Both 'b' and 'c'

- money preference money and 'c'
- 37) _____ system is managed by the Central Monetary Authority.
 (a) Plastic money (b) Metallic Standard (c) Silver standard (d) Paper currency
- 38) During _____ the level of economic activity becomes extremely low.
 (a) Boom (b) Recession (c) Depression (d) Recovery
- 39) During _____ the level of economic activity becomes extremely high.
 (a) Boom (b) Recession (c) Depression (d) Recovery
- 40) _____ is a branch of economics that provides a framework for analyzing money.
 (a) Fiscal Economics (b) Micro Economics (c) Monetary Economics (d) International Economics
- 41) Which of the following is not an example of barter system?
 (a) furs, skins, utensils, weapons (b) furs, skins, utensils, but not weapons (c) automated teller machine (d) none of the above
- 42) Gold Standard is a system in which the value of the monetary unit or the standard currency is _____ linked with gold.
 (a) directly (b) indirectly (c) positively (d) negatively
- 43) _____ is a monetary arrangement in which a country's Government allows conversion of its currency into fixed amount of silver.
 (a) The Gold Standard (b) The silver standard (c) The Metallic standard (d) None of the above
- 44) Which of the following is not an example of Plastic money?
 (a) Credit card (b) Debit cards (c) Pre-paid Cash cards (d) Bonds
- 45) Identify an example of digital currency.
 (a) crypto currencies (b) ATM (c) Legal Tender Money (d) None of the above
- 46) Assertion (A) Money has the quality of general acceptability, and all exchanges take place in terms of money.
 Reason (R) On account of the use of money, the transaction has now come to be divided into two parts.
 (a) Both (A) and (R) are true and (R) is the correct explanation of (A). (b) Both (A) and (R) are true, but (R) is not the correct explanation of (A). (c) (A) is true, but (R) is false. (d) (A) is false, but (R) is true.
- 47) In India, _____ are issued by the Reserve Bank of India (RBI) and _____ are issued by the Ministry of Finance, Government of India (GOI).
 (a) coins and currency notes (b) currency notes and coins (c) currency notes and pass books (d) none of the above
- 48) _____ and _____ are known as broad money.
 (a) M2 and M3 (b) M3 and M4 (c) M1 and M2 (d) M1 and M4
- 49) The new symbol of Rupee is an amalgamation of Devanagiri 'Ra' and the _____ without the stem.
 (a) Arial 'R' (b) Roman 'R' (c) Italian 'R' (d) Greek Script 'R'
- 50) The symbol of India rupee came into use on _____?
 (a) 25th July, 2010 (b) 16th July, 2010 (c) 15th July, 2010 (d) None of the above
- 51) Which of following country do not to accept a unique currency symbol?
 (a) China (b) America (c) Britain (d) Japan
- 52) Expand the CDR.

- (a) Cash Deposit Ratio (CDR) (b) Currency Digital Ratio (CDR) (c) Currency Deposit Ratio (CDR) (d) Currency Deposit Ration (CDR)

53) Expand the CRR

- (a) Capital Reserve Ratio (CRR) (b) Cash Reserve Ratio (CRR) (c) Government Reserve Ratio (CRR) (d) Cash Revised Ratio (CRR)

54) What is SLR?

- (a) It is the fraction of the total demand and time deposits of the commercial banks is the form of specified liquid assets (b) Reserve Money consists of two things (a) vault cash in banks and (b) deposits of commercial banks with RBI. (c) It is the fraction of the deposits the banks must keep with RBI. (d) It is the ratio of money held by the public in currency to that they hold in bank deposits

55) Who published the book, 'The Purchasing Power of Money' in 1911

- (a) Arthur (b) Hicks (c) Irving Fisher (d) Pigou

56) Who gave a quantitative form in terms of his famous "Equation of Exchange"?

- (a) Irving Fisher (b) J.M.Keynes (c) J.A. Schumpeter (d) R.F.Kahn

57) Given the equation, $V_1 = \frac{M_1}{P_1} = \frac{M_2}{P_2}$, V_1 represents ...?

- (a) the quantity of money in circulation (b) the velocity of circulation of money (c) the volume of bank credit money (d) the velocity of circulation of credit money

58) What is the other name of Cambridge Approach?

- (a) Quantity theory of money (b) Cash Balances Approach (c) Modern theory of Money Approach (d) Classical Approach

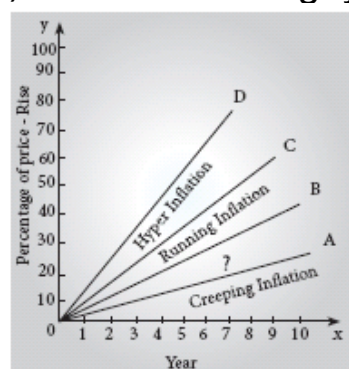
59) According to Marshall's equation, the value of money is influenced not only by changes in M, but also by changes in

- (a) K (b) P (c) KI (d) PI

60) In Keynes' extended equation: $n = p(k + rk')$ or $p = \frac{n}{(k + rk')}$, which one is wrongly denoted?

- (a) n = total money supply (b) p = price level of consumer goods (c) k = peoples' desire to hold money in hand (in terms of consumer goods) in the total income of them (d) r = community's total money deposit in banks, in terms of consumers goods

61) Find the missing type of inflation



- (a) Walking Inflation (b) Running Inflation (c) Creeping Inflation (d) Hyper Inflation

62) _____ is also known as mild inflation or moderate inflation

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- (a) Walking Inflation (b) Running Inflation (c) Creeping Inflation (d) Hyper Inflation
- 63) _____ can be possible When prices rise moderately and the annual inflation rate is a single digit (3% - 9%).
 (a) Walking Inflation (b) Running Inflation (c) Creeping Inflation (d) Hyper Inflation
- 64) When prices rise rapidly like the running of a horse at a rate of speed of _____ per annum, it is called running inflation.
 (a) 1% - 2 % (b) 100% - 200 % (c) 10% - 20% (d) None of the above
- 65) By Galloping inflation, the percentage of the same is almost _____ from an overall perspective.
 (a) 1% - 2% (b) 100% - 200% (c) 10% - 20% (d) 20% to 100%
- 66) Scarcity induced inflation has happened in Venezuela of the year _____.
 (a) 2017 (b) 2018 (c) 2016 (d) 2008
- 67) Assertion (A): Reduced capital accumulation may discourage entrepreneurs and business men from taking business risk. Reason (R): With reduced capital accumulation, the investment will suffer a serious set-back which may have an adverse effect on the volume of production in the country.
 (a) Both (A) and (R) are true and (R) is the correct explanation of (A). (b) Both (A) and (R) are true, but (R) is not the correct explanation of (A). (c) (A) is true, but (R) is false. (d) (A) is false, but (R) is true.
- 68) Find which is not a an example of Fixed income Groups?
 (a) wages (b) salary (c) pension (d) organization
- 69) Which is not a major anti-inflationary fiscal measures: are the following
 (a) Reduction of Government Expenditure (b) Public Borrowing (c) Augmenting Foreign Investment (d) Enhancing taxation
- 70) Stagflation is a combination of stagnant economic growth, high unemployment and high inflation _____.
 (a) high inflation (b) low inflation (c) no inflation (d) disinflation
- 71) After a period of depression _____ sets in.
 (a) recovery (b) prosperity (c) boom (d) trough
- 72) Assertion (A): When the disposable income of the people increases, it raises their demand for goods and services.
 Reason (R): Disposable income may increase with the rise in national income or reduction in taxes or reduction in the saving of the people.
 (a) Both (A) and (R) are true and (R) is the correct explanation of (A). (b) Both (A) and (R) are true, but (R) is not the correct explanation of (A). (c) (A) is true, but (R) is false. (d) (A) is false, but (R) is true.
- 73) Equation of exchange is associated with:
 (a) Pigou (b) J.B.Say (c) Marshall (d) Irving Fisher
- 74) The theory explaining the direct relationship between the price level and quantity of money is known as:
 (a) Quantity theory of money (b) Say's law of markets (c) Real theory of interest (d) None of these
- 75) Equation of exchange is converted into the quantity theory of money by assuming the following variables as constants:
 (a) V and T (b) M and V (c) M and P (d) V and P

- 76) Fisher's Equation of quantity theory states that:
 (a) P varies directly with income (b) P varies directly with M (c) P and M are constant (d) None of the above
- 77) In the Cambridge equation of $M = kPY$, the value of k is:
 (a) M/V (b) $1/V$ (c) V in Fisher's equation (d) None of these
- 78) In the Fisher's extended equation of exchange $M_1 V_1$ represents:
 (a) Credit money (b) Primary money (c) Both primary and credit money (d) General price level
- 79) In Fisher's transaction velocity model, one of the following is not an assumption
 (a) Velocity of circulation of money is constant (b) The volume of transactions is constant (c) Full employment (d) P is considered as an active factor
- 80) In the equation $MV + M_1 V_1 = PT$, 'M' denotes:
 (a) Velocity of money (b) Money in circulation (c) Bank deposit (d) None of these
- 81) The Cambridge version of the quantity theory of money was developed by:
 (a) Fisher (b) Alfred Marshall (c) Pigou (d) Keynes
- 82) In Fisher's equation of exchange $MV = PT$, the variation of which produces a proportional change in price:
 (a) M (b) V (c) P (d) T
- 83) In $MV = PT$, if M doubles and V and T remain constant, then P will:
 (a) Double (b) $1/2$ (c) 1 (d) 4
- 84) Assertion (A): Gold Standard is a system in which the value of the monetary unit or the standard currency is directly linked with gold. Reason (R): The monetary unit is defined in terms of a certain weight of gold.
 (a) Both A and R are true and R is the correct explanation of A. (b) Both A and R are true but R is not the correct explanation of A. (c) A is true but R is false (d) A is false but R is true
- 85) Assertion (A): Fisher extended his original equation of exchange to include bank deposits M_1 and its velocity V_1 .
 Reason (R): In a modern economy, bank's demand deposits or credit money and its velocity play a vital part in business.
 (a) Both A and R are true and R is the correct explanation of A. (b) Both A and R are true but R is not the correct explanation of A. (c) A is true but R is false (d) A is false but R is true
- 86) Assertion (A): When the disposable income of the people decreases, it raises their demand for goods and services.
 Reason (R): Disposable income may increase with the rise in national income or reduction in taxes or reduction in the saving of the people.
 (a) Both A and R are true and R is the correct explanation of A. (b) Both A and R are true but R is not the correct explanation of A. (c) A is true but R is false (d) A is false but R is true
- 87) Assertion (A): During inflation, debtors are the gainers while the creditors are losers.
 Reason (R): The debtors had borrowed when the purchasing power of money was high and now repay the loans when the purchasing power of money is low due to falling prices.

- (a) Both A and R are true and R is the correct explanation of A. (b) Both A and R are true but R is not the correct explanation (c) A is true but R is false (d) A is false but R is true.

88) Money is

- (a) Backed by gold in Fort Knox (b) The same as income (c) The value of all coins and currency in circulation at any time (d) Anything that is generally accepted as a medium of exchange

89) The development of money as a medium of exchange has facilitated the expansion of trade because

- (a) Holding money increases people's income (b) No other mediums of exchange are available (c) Money eliminates the "double coincidence of wants" problem (d) Holding money increases people's wealth

90) A recession is:

- (a) A period of declining unemployment (b) A period of declining prices (c) A period during which aggregate output declines (d) A period of very rapidly declining prices

91) Inflation is measured by the

- I. consumer price index (CPI).
II. GDP deflator.
III. current account.
IV. depreciation.

- (a) I and II only. (b) I and III only. (c) III and IV only. (d) I, II and III.

92) During stagflation

- I. an increase in aggregate spending will eliminate the recession.
II. a decrease in aggregate spending will reduce inflation.
III. government faces contradictory goals.
IV. The central bank decreases money supply to reduce inflation

- (a) I and II only (b) III and IV only (c) I, II and III only (d) I, II, III and IV

93) Which of the following are costs of inflation?

- I. Inflation weakens the creation of credit and capital markets.
II. Inflation distorts business behavior, especially investment behavior.
III. Inflation increases the prices of foreign goods relative to domestic goods.
IV. Inflation imposes a tax on the holders of money.

- (a) I and II only (b) III and IV only (c) I, II and IV only (d) I, II and III only

94) Demand pull inflation results from

- (a) demand for government spending on public goods goes down due to lack of financial backup through tax collection (b) consumer, business, and government demand for goods and services in excess of an economy's capacity to produce. (c) a shortage of demand for good and services in excess of supply during depression (d) demand for public goods is greater than demand for consumer goods

95) What problems are we most likely to see at which stage of the business cycle?

- (a) High inflation during recessions (b) High unemployment during booms (c) Low inflation during booms. (d) High unemployment during recessions

96) Match the correct codes

1	Gold Standard	i	Refers to the monetary system in which the paper currency notes issued by the Treasury or the Central Bank or both circulate as unlimited legal tender.
2	The silver standard	ii	Such as Bitcoin now provide an outlet for Personal Wealth that is beyond restriction and confiscation
3	The paper currency standard	iii	A monetary system in which the standard economic unit of account is a fixed weight of silver.
4	Decentralised crypto currencies	iv	A system in which the value of the monetary unit or the standard currency is directly linked with gold.

(a) (1) – (i) (2) – (ii) (b) (1) – (ii) (2) – (c) (1) – (iv) (2) – (d) (1) – (i) (2) – (ii) (3) – (iv) (4) – (iii) (iii) (3) – (iv) (4) – (iii) (3) – (i) (4) – (ii) (3) – (iii) (4) – (iv) (i)

97) Match the correct codes

1	It is the ratio of money held by the public in currency to that they hold in bank deposits.	i	CRR
2	Reserve Money consists of two things (a) vault cash in banks and (b) deposits of commercial banks with RBI	ii	SLR
3	It is the fraction of the deposits the banks must keep with RBI	iii	RDR
4	It is the fraction of the total demand and time deposits of the commercial banks is the form of specified liquid assests	iv	CDR

(a) (1) – (i) (2) – (ii) (b) (1) – (ii) (2) – (c) (1) – (iv) (2) – (d) (1) – (i) (2) – (ii) (3) – (iv) (4) – (iii) (iii) (3) – (iv) (4) – (iii) (3) – (i) (4) – (ii) (3) – (iii) (4) – (iv) (i)

98) Match the correct codes

1	$MV = PT$	i	Fisher's Quantity Theory of Money:
2	Revised equation of fisher	ii	$PT = MV + M1V1$
3	Marshall's Equation	iii	$M = KPY$
4	Keynes equation	iv	$n = pk$ (or) $p = n / k$

(a) (1) – (i) (2) – (ii) (b) (1) – (ii) (2) – (c) (1) – (iv) (2) – (d) (1) – (i) (2) – (ii) (3) – (iv) (4) – (iii) (iii) (3) – (iv) (4) – (iii) (3) – (i) (4) – (ii) (3) – (iv) (4) – (iii) (i)

99) Match the correct codes

1	"Too much of Money chasing too few goods"	i	Walker
2	"A state of abnormal increase in the quantity of purchasing power"	ii	Crowther
3	"Money is, what money does"	iii	Gregorye
4	"Money can be anything that is generally acceptable..."	iv	Coulbourn

(a) (1) – (i) (2) – (ii) (b) (1) – (ii) (2) – (c) (1) – (iv) (2) – (d) (1) – (i) (2) – (ii) (3) – (iv) (4) – (iii) (iii) (3) – (iv) (4) – (iii) (3) – (i) (4) – (ii) (3) – (iii) (4) – (iv) (i)

100) Match the correct codes

1	Creeping inflation	i	Points out to unmanageably high inflation rates that run into two or three digits.
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2	Walking or trolling inflation	ii	Slow-moving and very mild.
3	Running inflation	iii	When prices rise moderately and the annual inflation rate is a single digit 3% - 9%)
4	Galloping inflation or hyper inflation	iv	When prices rise rapidly like the running of a horse at a rate of speed of 10% - 20% per annum,

(a) (1) – (i) (2) – (ii) (3) – (iv) (4) – (iii) (b) (1) – (ii) (2) – (iii) (3) – (iv) (4) – (i) (c) (1) – (iv) (2) – (iii) (3) – (i) (4) – (ii) (d) (1) – (i) (2) – (ii) (3) – (iii) (4) – (iv)

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