

# PREVIOUS YEAR QUESTIONS

TERM 2 - CHAPTERWISE

## Economics

### Chapter-3: Money and Credit

2020

17. Find the Incorrect option:

- A. Demand deposit share the essential features of money
- B. With demand deposit payments can be made without cash
- C. Demand deposits are safe way of money transformation
- D. Demand deposit facility is like cheque

20. Rita has taken a loan of Rs. 7 lakhs from the bank to purchase a car. The annual interest rate on the loan is 14.5 percent and the loan is to be repaid in 3 years in monthly instalments. The bank retained the papers of the new car as collateral, which will be returned to Rita only when she repays the entire loan with interest. Analyse the loan information given above, considering one of the following the correct option. (2020,1M)

- a. Mode of repayment
- b. Terms of credit
- C. Interest on loan
- D. Deposit criteria

27. Why do we need to expand formal sources of credit in India? Explain. (2020,3M)

OR

Why do banks and cooperative societies need to lend more? Explain.

ANSWERS:

17- D

20- B

27- We need to expand formal sources of credit in india because:

- i). There is no organisation which supervises the credit activities of lenders in the informal sector.
- if). There is no one to stop them from using unfair means to get their money back.
- iii). Formal sources of credit are less risky and they charge less rate of interest.
- iv). The RBI supervises the functioning of formal sources of loans.

OR

Banks and cooperative societies need to lend more:

- i. This would lead to higher incomes
- ii. People could borrow cheaply for a variety of needs.
- iii. They could grow crops and set up small-scale industries etc.
- iv. Cheap and affordable credit is crucial for the country's development
- V. It is also important to save and reduce the dependence on informal sources of credit.