

## MONEY AND BANKING

1. "Money has overcome the problem of double coincidence of wants". Explain.
2. Introduction of money has separated the acts of sale and purchase. How?
3. Money has the ability to shift the purchasing power from present to future. Explain?
4. Money acts as the standard for deferred payments. Do you agree? Explain.
5. The commodity value of notes and coins is negligible, yet people hold currency. Why?
6. How does credit creation by commercial banks accelerate the pace of economic growth? Give two reasons.
7. What are open market operations? What is their effect on availability of credit?

or

Explain the open market operations method of credit control used by the central bank.

8. How does a change in bank rate affect credit creation in the economy?
9. Explain the impact of increase in cash reserve ratio on availability in the economy?

or

How does a reduction in cash reserve ratio affect credit in the economy.

10. How can statutory liquidity ratio be used to control money supply in the economy?

or

How does change in SLR affect availability of credit in the economy.

11. How will the Central Bank use moral suasion as an instrument of credit control?
12. What changes should be made in margin requirement if money supply needs to be raised?

### 6 Marks

1. Explain the process of money creation by commercial banks.

or

Explain the process of money creation by the commercial banks with the help of a numerical example.

or

How do commercial banks create credit?

2. Distinguish between cash reserve ratio and statutory liquidity ratio. Explain their usage in the situation of excess demand.

[www.studiestoday.com](http://www.studiestoday.com)