

# Money and Credit

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## Case Study Based Questions

### Source 1

**Read the source given below and answer the questions that follows by choosing the most appropriate option:**

Modern forms of money include currency-paper notes and coins. Unlike the things that were used as money earlier, modern currency is not made of precious metal such as gold, silver and copper. And unlike grain and cattle, they are neither of everyday use. The modern currency is without any use of its own. Then, why is it accepted as a medium of exchange? It is accepted as a medium of exchange because the currency is authorised by the government of the country. In India, the Reserve Bank of India issues currency notes on behalf of the Central Government. As per India law, no other individual or organisation is allowed to issue currency. Moreover, the law legalises the use of rupee as a medium of payment that cannot be refused in settling transactions in India. No individual in India can legally refuse a payment made in rupees. Hence, the rupee is widely accepted as a medium of exchange.

**Q1. The source given above relates to which of the following options?**

- a. Barter system
- b. Double coincidence of wants
- c. Currency
- d. None of the above

**Q2. Money in modern times comes in different forms. These include:**

- a. grains and cattle
- b. cowrie shells and stones
- c. gold and silver coins
- d. currency notes and coins

**Q3. What is the most important function of money?**

- a. It is used in banking transaction
- b. It is used in payment of loans
- c. It is used in stock market exchange
- d. It is used as a medium of exchange



**Q4. Which of the following banks of India issues currency notes on behalf of the Central Government?**

- a. Bank of India
- b. Central Bank of India
- c. State Bank of India
- d. Reserve Bank of India

**Q5. Money is accepted as a medium of exchange because:**

- a. it is authorised by the Government of India
- b. it is issued by the Reserve Bank of India
- c. it is legalised as a medium of payment in India
- d. All of the above

**Q6. Two statements are given in the question below as Assertion (A) and Reason (R). Read the statements and choose the appropriate option.**

**Assertion (A): Money acts as an intermediary in the process of exchange.**

**Reason (R): Money helps to facilitate trade.**

- 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, but 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.

### **Answers**

- 1. (c)
- 2. (d)
- 3. (d)
- 4. (d)
- 5. (d)
- 6. (b)

### **Source 2**

**Read the source given below and answer the questions that follow:**



Getting a loan from bank is much more difficult than taking loan from informal sources. Absence of collateral security and documentation prevents the poor from getting bank loans. Self-help group is a group of people usually belonging to one neighbourhood having same social and economic backgrounds. They meet and save money regularly as per their ability. Members of the group can take small loans from the group itself to meet their needs. The group charges interest less than moneylenders on these loans. After one or two years, if the group is regular in savings, it becomes eligible for availing loan from the bank. Loan is sanctioned in the name of group and is meant to create self-employment opportunities.

**Q1. What is the most essential requirement for taking loan from informal services?**

**Ans.** The most essential requirement for taking loan from informal services is collateral security.

**Q2. What facilities do the members have who are in the same group?**

**Ans.** Members who are in the same group can take small Loans from the group itself to meet their needs.

**Q3. What benefits are there for a self-help group that is regular in savings?**

**Ans.** Self-help group that is regular in savings are entitled to raise loan from bank in the name of SHG.

**Source 3**

**Read the source given below and answer the questions that follow:**

**A House Loan**

Megha has taken a loan of 5 lakhs from the bank to purchase a house. The annual interest rate on the loan is 12 per cent and the loan is to be repaid in 10 years in monthly instalments. Megha had to submit to the bank, documents showing her employment records and salary before the bank agreed to give her the loan. The bank retained as collateral the papers of the new house, which will be returned to Megha only when she repays the entire loan with interest. (CBSE 2022 Term-2)

**Q1. From which source of credit Megha has taken loan?**

**Ans.** Megha has taken from the bank ie, the formal source of credit.



**Q2. Explain the terms of credit given in the source.**

**Ans.** The terms of credit given are interest rate, collateral documentation requirements, mode of repayment and duration contained in the loan agreement.

Interest rate	— 12 per cent
Collateral	— Papers of the new house
Documentation	— Employment records and salary documents
Mode of repayment	— Monthly instalments
Duration	— 10 years