



Vidya Bhawan balika Vidyapeeth shakti utthan aashram Lakhisarai

Revision Class-10th

(Based on N C E R T pattern)

Date:- 15.10.XX.

Economics

Money and credit

1. “Forms of currency have undergone several changes since early times.” Elucidate.

Ans. (1) Before the introduction of coins, a variety of objects used.

(2) In the very early ages, Indians used grains and cattle as money. Thereafter came the use of metallic coins such as gold, silver, copper coins. This was a phase that continued well into the last century.

(3) 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 metals. The modern currency is without any use of its own.

2. What is a cheque? What is the advantage of using a cheque for payment?

Ans. (1) A cheque is a paper instructing the bank to pay a specific amount from the person’s account to the person in whose name the cheque has been issued. For payment through cheque, the payer who has an account with the bank makes out a cheque for a specific amount.

(2) (i) We issue cheques against demand deposits, which make it possible to directly settle payments without the use of cash.

(ii) Since demand deposits are accepted widely as a means of payment along with currency, they constitute money in the modern economy.

3. Why do banks maintain cash reserve?

Ans. Banks maintain cash reserves as a provision to pay the depositors who might come to withdraw money from the bank on any given day.

4. Why do banks keep a small proportion of the deposits as cash with themselves?

Ans. In order to pay the depositors who might come to withdraw money.

5. What is the main source of income of banks?

Or

What is the main source of income for commercial banks?

Ans. Difference between what is charged from the borrowers and what is paid to the depositors.

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