



B.K. BIRLA CENTRE FOR EDUCATION

SARALA BIRLA GROUP OF SCHOOLS
A CBSE DAY-CUM-BOYS' RESIDENTIAL SCHOOL

PERIODIC TEST – I (2026-27)
ECONOMICS

Class: XII

Date: 11.06.26

SET - I

Time: 1hrs

Max. Marks: 25

Attempt all Questions:

Read the following statements-Assertion (A) and Reason (R), and select the correct alternative in each case:

- (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

1. **Assertion (A):** Commercial banks create money through the process of lending. 1)

Reason (R): When banks give loans, they create new deposits in the borrower's account, increasing the money supply.

2. The Indian government needs to borrow a significant amount of money to finance its budget deficit. 1)
Which function of the RBI would be relevant in this situation?

- a) Banker's Bank
- b) Custodian of Foreign Exchange Reserves
- c) Banker to the Government
- d) Regulator and Supervisor of the Financial System

3. Read the statements given below and choose the correct option 1)

Statement I: Money serves as a medium of exchange, which eliminates the need for a double coincidence of wants.

Statement II: Under the barter system, transactions were easier as goods were exchanged directly.

Options:

- a. Both statements are true, and Statement II is the correct explanation of Statement I.
- b. Both statements are true, but Statement II is not the correct explanation of Statement I.
- c. Statement I is true, but Statement II is false.
- d. Both statements are false.

4. Identify the incorrect feature(s) of money supply (M1) from the following: 1)

- (i) It is measured at a point of time.
- (ii) It does not include stock of money held by the government.
- (iii) It is always the currency in the hands of the Central Bank of a nation.

Alternatives:

- (A) (i) and (ii) (B) (ii) and (iii)
- (C) (ii) only (D) (iii) only

5. If the central bank wants to reduce money supply in the economy, it may _____. 1)

(Choose the correct alternative to fill up the blank)

- (i) increase Bank Rate (ii) reduce Cash Reserve Ratio
- (iii) sell securities in the open market (iv) buy securities in the open market

Alternatives:

- (a) (i) and (iii) (b) (ii), (iii) and (iv)
- (c) (i), (iii) and (iv) (d) (i), (ii), (iii) and (iv)

6. Read the following information carefully: 2)

"The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI), recently increased the Repo Rate by 50 basis points. The Rate stands today at 5.40%, whereas Reverse Repo Rate was left unchanged at 3.35%."

Answer the following question:

Elaborate the likely economic rationale behind the increase in Repo Rate by the Monetary Policy Committee.

7. Justify the following statement with valid arguments:
'Money serves as a measure of standard of deferred payments.' 2)

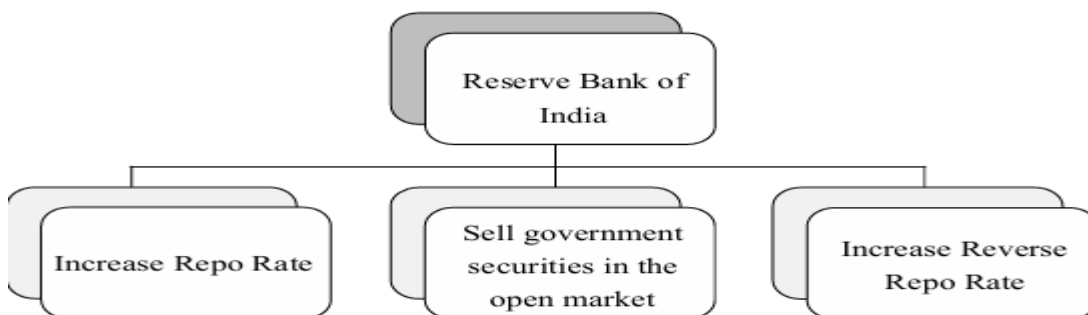
8. 'Nowadays people are using debit and credit cards for monetary transactions.' As per your opinion is credit card a form of money. 2)

9. How is credit creation inversely related to Reverse Deposit ratio? 2)

10. "Open Market Operation by the Reserve Bank of India (RBI) helps in regulating money supply in the economy. "Justify the given statement. 3)

11. Elaborate the 'Banker's Bank and Supervisor' function performed by the Reserve Bank of India. 3)

12. (A) 3)



Study the following image:

(i) Identify the indicated situation.

(ii) Explain how increase in repo rate may be taken by RBI to correct the situation.

(B) 3)

The Reserve Bank of India, like many central banks around the world, plays a crucial role in maintaining economic stability. In recent years, with rising inflationary pressures, the RBI has implemented certain regulatory measures to control the expansion of credit in the banking system. By influencing the way Commercial banks lend money, the RBI aims to keep the money supply under control and ensure sustainable economic growth.

Briefly explain any two qualitative tools used by the Central bank to control money supply in the economy.

*****ALL THE BEST*****