

| Class Notes        |  |
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| Class: X           | Topic: Money and credit<br><br>NCERT- Extra Question and Answers |
| Subject: Economics |  |

**NOTE- Question and Answers for learning only**

**Question 1.**

Why are transactions made in money ?

**Answer:**

Transactions are made in money because a person holding money can easily exchange it for any commodity or service that he or she might want.

**Question 2.**

What is the basic feature of double coincidence of wants? In which system is it practiced?

**Answer:**

Basic feature is that both parties agree to sell and buy each other's commodities. It is practiced in Barter system.

**Question 3.**

Which are modern forms of money ? State any one.

**Answer:**

Modern forms of money include currency- paper notes and coins.

**Question 4.**

Why is currency accepted as a medium of exchange ?

**Answer:**

Because it is authorised by the government of a country e.g., Indian Government.



**Question 5.**

Which authority issues currency notes in India ?

**Answer:**

In India, Reserve Bank of India issues currency notes on behalf of the central government.

**Question 6.**

Why do people deposit money with the banks ?

**Answer:**

People deposit surplus money with the banks because in this way their money is safe and it earns an interest too.

**Question 7.**

Why are deposits with the banks called demand deposits ?

**Answer:**

Deposits with the banks are called demand deposits because they can be withdrawn on demand.

**Question 8.**

What is a cheque ?

**Answer:**

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 made.

**Question 9.**

How do the demand deposits share the essential features of money ?

**Answer:**

The facility of cheques against demand deposits make it possible to directly settle payments without the use of cash. Since demand deposits are accepted widely as a means of payment, along with currency, they constitute money in the modern economy.

**Question 10.**

Why no person can refuse to accept payments in rupee ?

**Answer:**



No one can refuse to accept payment in rupee because it is a legal currency authorised by the government.

**Question 11.**

How much amount of the deposits is kept as cash by the banks and why ?

**Answer:**

Banks hold about 15 per cent of their deposits as cash to pay the depositors who might come to withdraw money from the bank on any given day.

**Question 12.**

How do banks use the major portion of the deposits ?

**Answer:**

Banks use the major portion (55%) of the deposits to extend loans to people for various economic activities.

**Question 13.**

Which is the main source of income of the banks ?

**Answer:**

The difference between what is charged from the borrowers and what is paid to depositors is the main source of income of the banks.

**Question 14.**

What is credit ?

**Answer:**

Credit (loan) refers to an agreement in which the lender supplies the borrower with money, goods or services in return for the promise of future payment

**Question 15.**

In rural areas which is the main demand for credit ?

**Answer:**

In rural areas, the main demand for credit is crop production and purchase of pesticides and fertilizers.



**Question 16.**

What is debt-trap ?

**Answer:**

When a borrower particularly in rural area fails to repay the loan due to the failure of the crop, he is unable to repay the loan and is left worse off. This situation is commonly called debt-trap. Credit in this case pushes the borrower into a situation from which recovery is very painful.

**Question 17.**

What is a collateral ?

**Answer:**

Collateral is an asset that the borrower owns (such as land, building, vehicle, live-stocks, deposits with banks) and uses this as a guarantee to a lender until the loan is repaid.

**Question 18.**

What are "terms of credit" ?

**Answer:**

Interest rate, collateral and documentation requirement, and the mode of repayment together comprise the terms of credit.

**Question 19.**

Which are the major sources of cheap credit in rural areas ?

Ans.

Banks and the cooperative societies.

**Question 20.**

Who are the informal lenders ?

**Answer:**

Moneylenders, traders, employers, relative and friends are the informal lenders.

