

# BANKING, SECURITY MARKET & INSURANCE BASED INDIAN ECONOMY MCQ PRACTICE QUESTIONS AND ANSWERS PDF WITH EXPLANATION

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**Q1.** Note-issuing department of RBI should always possess the minimum gold stock of worth—

- a) Rs. 200 crore
  - b) Rs. 115 crore
  - c) Rs. 85 crore
  - d) None of these
- 

**Q2.** Who is the new Chairman of Life Insurance Corporation of India?

- a) Thomas Matthew
  - b) D.K. Malhotra
  - c) S.K. Roy
  - d) V.K. Sharma
- 

**Q3.** Bank rate means

- a) Rate of Profit of banking institution
  - b) Interest rate charged by Scheduled Banks
  - c) Interest rate charged by money lenders
  - d) Official rate of interest charged by Central Bank
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**Q4.** Which of the following is **not** true when the interest rate in the economy goes up?

- a) Cost of production increases
- b) Lending decreases

c) Saving increases

d) Return on capital increases

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**Q5.** Which of the following does **not** grant any tax rebate?

a) National Saving Scheme

b) Indira Vikas Patra

c) National Saving Certificate

d) Public Provident Fund

**Q6.** When the RBI wants to inject liquidity into the economy, it may adopt the following :

- Buy the government securities from the banks.
- Enter into reverse repo operations
- Raise cash Reserve Ratio
- Reduce SLR.

Select the **correct** answer using the codes given below:

a) 1, 2 and 4 only

b) 1 and 4 only

c) 1 only

d) 1, 2, 3 and 4

**Q7.** Paper currency first started in India in

a) 1601

b) 1542

c) 1861

d) 1880

**Q8.** Which of the following statements is/are **correct** regarding the Monetary Policy Committee (MPC)?

- It decides the RBI's benchmark interest rates.
- It is a 12-member body including the Governor of RBI and is reconstituted every year.
- It functions under the chairmanship of the Union Finance Minister.

Select the **correct** answer using the code given below:

- a) 3 only
  - b) 1 and 2 only
  - c) 1 only
  - d) 2 and 3 only
- 

**Q9.** The one rupee note bears the signature of the

- a) Finance Minister
  - b) Governor, RBI
  - c) Secretary, Ministry of Finance
  - d) None of these
- 

**Q10.** According to the Reserve Bank of India's guidelines to banks, customers can change up to 20 pieces of soiled currency notes over the counter, free of charge up to a maximum value of

- a) Rs.25,000
  - b) Rs.5,000
  - c) Rs.28,000
  - d) Rs.15,000
- 

**Q11.** A cheque which has been written by the maker and dated at some point in the past is known as

- a) Pre-paid cheque
- b) Post-dated cheque
- c) Out-of-date cheque

d) Antedated cheque

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**Q12.** 'Basel III' norms target at which of the following?

- Improve the banking sector's ability to absorb shocks arising from financial and economic stress.
- Improve risk management and governance.
- Strengthen banks' transparency.

Choose the **correct** answer using the codes given below:

a) 1 and 3 only

b) 1 and 2 only

c) 1 only

d) 1, 2 and 3

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**Q13.** Which of the following is /are example (s) of 'Near Money'?

- Treasury Bill
- Credit Card
- Saving accounts and small time deposits
- Retail money market mutual funds

Select the **correct** answer using the code given below:

a) 1, 2 and 3

b) 2 only

c) 1 only

d) 1, 3 and 4

**Q14.** Which of the following was established in 1928 as the first printing press for bank notes in India?

a) Bharatiya Reserve Bank Notes Mudran Private Limited (BRBNMPL), Mysore

b) Currency Notes Press (CNP), Nasik

c) Indian Security Press (ISP), Nasik

d) Bharatiya Reserve Bank Notes Mudran Private Limited (BRBNMPL), Salboni

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**Q15.** Which one of the following is different from the others from the point of view of ownership?

a) Debenture of a company

b) Bank Fixed Deposit

c) Kisan Vikas Patra

d) LIC Policy

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**Answers to the above questions :**

**Q1. Answer: (b)**

**Q2. Answer: (d)**

V.K. Sharma is the new Chairman of Life Insurance Corporation of India.

LIC : Largest insurance company in India,

HQ : Mumbai, India

**Q3. Answer: (d)**

Bank rate is the rate charged by the central bank for lending funds to commercial banks.

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**Q4. Answer: (d)**

The rise in interest rates results in an increased cost of borrowing so lending decreases because businesses do not borrow at a high cost.

Moreover, it results in an increase in the cost of production as the cost for all suppliers of raw material increases due to an increase in their borrowing cost. For individuals, the savings increase as they start saving in lieu of higher return as interest.

Higher rates of interest result in a decrease in return on capital as the cost of investment in capital increases.

**Q5. Answer: (b)**

Indira Vikas Patra was a small scale deposit scheme operated by the post offices all over the country to encourage the idea of investment in the minds of the lower-middle class people. NSC, National Saving Scheme and PPF all grant tax rebate.

**Q6. Answer: (b)**

By buying the government securities from the banks and reducing SLR may inject money into the system.

However, Raising the cash Reserve Ratio may take away liquidity from the market as the banks will have to deposit more money with the RBI and similarly entering the reverse repo operations may also take away liquidity from the market.

**Q7. Answer: (c)**

**Q8. Answer: (c)**

MPC has 6 members, not 12; and it's headed by the RBI governor and not Finance Minister.

So statements 2 and 3 are wrong, hence by elimination, we reach answer (a) only 1 correct.

**Q9. Answer: (c)**

The one rupee note is issued by the Ministry of Finance and it bears the signature of the Finance Secretary, while other notes bear the signature of Governor RBI.

However, only RBI is the only source of legal tender money because the distribution of one rupee notes and coins and small coins all over the country is undertaken by the Reserve Bank as an agent of the Government.

**Q10. Answer: (b)**

According to the RBI's guidelines to banks, a person can change up to 20 pieces of notes with a maximum value of Rs.5000 per day, banks should exchange them over the counter, free of charge.

**Q11. Answer: (d)**

In banking, antedated refers to cheques which have been written by the drawer, and dated at some point in the past.

**Q12. Answer: (d)**

Basel III is basically a regulatory accord designed specifically for the banking sector. It aims to improve the supervision, regulation and risk management within the sector. It also targets at strengthening the transparency of the banks.

**Q13. Answer: (d)**

Near Money is a term used in economics to describe highly liquid assets that can easily be converted into cash.

**Q14. Answer: (b)**

Currency Note Press (CNP), Nasik, Maharashtra was established in 1928. It was the first printing press for banknotes in India.

**Q15. Answer: (a)**

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