

REVISION OF KEY POINTS

- **Barter Exchange** refers to exchange of goods for goods.
- **Limitations of Barter Exchange:** (i) Lack of double coincidence of wants; (ii) Lack of common measure of value; (iii) Lack of standard of deferred payments; (iv) Lack of store of value.
- **Money** is anything which is generally accepted as a medium of exchange, measure of value, store of value and standard of deferred payments.
- **Money Supply** refers to the total volume of money held by public at a particular point of time in an economy.
- **Measures of Money Supply:**
 - (a) $M_1 = \text{Currency and coins with Public} + \text{Demand Deposits of Commercial Banks} + \text{Other Deposits with RBI}$
 - (b) $M_2 = M_1 + \text{Savings deposits with Post Office Saving Bank}$
 - (c) $M_3 = M_1 + \text{Net time deposits with banks}$
 - (d) $M_4 = M_3 + \text{Total Deposits with Post Office Saving Bank (Excluding National Saving Certificate)}$

REVISION EXERCISE

Multiple Choice Questions (MCQs)

1. What items are not included in M_1 , measure of supply?
(a) Currency and coins with public
(b) Inter-bank deposits
(c) Other deposits with RBI
(d) Net demand deposits with banks
2. High powered money consists of:
(a) Currency and coins held by the public
(b) Currency, cash reserves with banks and demand deposits
(c) Currency held by public and cash reserves with banks
(d) Currency and demand deposits
3. Money supply refers to:
(a) Total volume of money held by public at a particular point of time
(b) Total volume of money held by public over a period of time
(c) Total volume of money held by the government
(d) Both (a) and (b)
4. Money supply is a _____ concept.
(a) Stock
(b) Flow
(c) Both (a) and (b)
(d) Neither (a) nor (b)

Very Short Answer Type Questions (1 Mark each)

Q. 1. Define barter exchange.
Ans. *Barter exchange refers to exchange of goods for goods.*

Q. 2. What is meant by double coincidence of wants?
Ans. *Double coincidence of wants refers to simultaneous fulfillment of the mutual wants of buyers and sellers.*

Q. 3. Define money. {CBSE, All India 2011}
Ans. *Money is anything which is generally accepted as a medium of exchange, measure of value, store of value and standard of deferred payments.*

Q. 4. What is the basic characteristic of money?
Ans. *General acceptability.*

Q. 5. Define money supply? {CBSE, Foreign 2004, Delhi 2011}
Ans. *Money supply refers to the total volume of money held by public at a particular point of time in an economy.*

Q. 6. State whether money supply is a stock variable or flow variable.
Ans. *Money supply is a stock variable because it is expressed at a particular point of time.*

Q. 7. What items are included in the M_1 measure of money supply?
Ans. $M_1 = \text{Currency and coins with Public} + \text{Demand Deposits of Commercial Banks} + \text{Other Deposits with RBI.}$

Q. 8. State the two components of money supply.

{CBSE, Sample Paper 2014}

OR

State the components of money supply. {CBSE, Delhi 2010, All India 2013, Delhi Comptt. 2015}

Ans. (i) *Currency and coins with public;* (ii) *Demand deposits of commercial banks.*

Q. 9. What are demand deposits?

{CBSE, Delhi 2012, 13, 14}

Ans. *Demand deposits are the deposits, which can be encashed by issuing cheques.*

Q. 10. What is bank money?

{CBSE, Foreign 2012}

Ans. *Bank money refers to demand deposits created by the commercial banks.*

Short Answer Type Questions (3-4 Marks each)

1. Discuss the meaning of: (i) Currency and coins with Public; (ii) Demand deposits held by commercial banks.

2. Give the meaning of: (i) Barter Exchange; (ii) Money; (iii) Money Supply.

{CBSE, Delhi Comptt. 2013}

3. Explain the concept of money supply.

4. Define money supply and explain its components.

{CBSE, Delhi 2014, Foreign 2014}

OR

State the meaning and components of money supply.

{CBSE, Delhi 2017}

5. State the limitations of Barter Exchange. ~~#~~

6. Explain "difficulty in storing wealth" problem faced in the barter system of exchange.

{CBSE, All India 2017}

7. Define money. List its components.

{CBSE, Foreign 2017}

Long Answer Type Questions (6 Marks each)

1. What is meant by 'money supply'? Discuss, in brief, the various constituents of money supply. ~~#~~

2. Discuss the limitations of Barter Exchange.

3. Explain the concepts of: (i) Currency and coins with Public; (ii) Demand deposits held by commercial banks.