

Money and Credit (Assertion/Reason Questions for Class 10th)

Must practice these Assertion/Reason questions in order to score better in your exams.

'A' stands for Asssertion and 'R' stands for Reason.

Q.1 Assertion (A): In a barter system, double coincidence of wants is an essential feature.

Reason (R): Double coincidence of wants means that both parties must agree to exchange goods that the other party desires.

Options:

- a. Both A and R are true, and R is the correct explanation of A.
- b. Both A and R are true, but R is not the correct explanation of A.
- c. A is false, but R is true.
- d. A is true, but R is false.
- e. Both A and R are false.

Q.2 Assertion (A): The use of money eliminates the need for double coincidence of wants in transactions.

Reason (R): Money acts as an intermediate step, allowing transactions without requiring the buyer and seller to directly exchange goods.

Options:

- a. Both A and R are true, and R is the correct explanation of A.
- b. Both A and R are true, but R is not the correct explanation of A.
- c. A is true, but R is false.
- d. A is false, but R is true.

Q.3 Assertion (A): In a money-based economy, goods and services are exchanged only with the actual transfer of money.

Reason (R): All transactions in a money-based economy require immediate payment in cash.

Options:

- a. Both A and R are true, and R is the correct explanation of A.
- b. Both A and R are true, but R is not the correct explanation of A.
- c. A is true, but R is false.
- d. A is false, but R is true.

Q.4 Assertion (A): Money provides a simple and flexible method for exchange in the economy.

Reason (R): Money allows people to directly exchange goods without the need for an intermediate step.

Options:

- a. Both A and R are true, and R is the correct explanation of A.
- b. Both A and R are true, but R is not the correct explanation of A.
- c. A is true, but R is false.
- d. A is false, but R is true.

Q.5 Assertion (A): Before the introduction of coins, various objects like grains and cattle were used as money.

Reason (R): Coins made of precious metals like gold and silver were introduced later as a more reliable form of currency.

Options:

- a. Both A and R are true, and R is the correct explanation of A.
- b. Both A and R are true, but R is not the correct explanation of A.
- c. A is true, but R is false.
- d. A is false, but R is true.

Q.6 Assertion (A): Modern currency is accepted as a medium of exchange because it is made of precious metals.

Reason (R): Modern currency is authorized by the government, which ensures its acceptance.

Options:

- a. Both A and R are true, and R is the correct explanation of A.
- b. Both A and R are true, but R is not the correct explanation of A.
- c. A is true, but R is false.
- d. A is false, but R is true.

Q.7 Assertion (A): The Reserve Bank of India has the exclusive authority to issue currency notes in

India.

Reason (R): This exclusivity ensures that no individual or organization can issue currency, maintaining the currency's value and stability.

Options:

- a. Both A and R are true, and R is the correct explanation of A.
- b. Both A and R are true, but R is not the correct explanation of A.
- c. A is true, but R is false.
- d. A is false, but R is true.

Q.8 Assertion (A): Demand deposits are called so because they can only be withdrawn after a specific notice period.

Reason (R): Demand deposits can be withdrawn at any time as per the depositor's needs.

Options:

- a. Both A and R are true, and R is the correct explanation of A.
- b. Both A and R are true, but R is not the correct explanation of A.
- c. A is true, but R is false.
- d. A is false, but R is true.

Q.9 Assertion (A): Payments can be made using cheques instead of cash in a banking system.

Reason (R): A cheque is a paper that instructs the bank to pay a specific amount from the person's account.

Options:

- a. Both A and R are true, and R is the correct explanation of A.
- b. Both A and R are true, but R is not the correct explanation of A.
- c. A is true, but R is false.
- d. A is false, but R is true.

Q.10 Assertion (A): Modern currency does not have intrinsic value.

Reason (R): The value of modern currency comes from government authorization.

Options:

- a. Both A and R are true, and R is the correct explanation of A.
- b. Both A and R are true, but R is not the correct explanation of A.
- c. A is true, but R is false.
- d. A is false, but R is true.

Q.11 Assertion (A): Banks keep only a small proportion of their deposits as cash.

Reason (R): This cash is maintained to meet the daily withdrawal demands of depositors.

Options:

- a. Both A and R are true, and R is the correct explanation of A.
- b. Both A and R are true, but R is not the correct explanation of A.
- c. A is true, but R is false.
- d. A is false, but R is true.

Q.12 Assertion (A): Banks primarily use deposits to extend loans.

Reason (R): There is a high demand for loans for various economic activities.

Options:

- a. Both A and R are true, and R is the correct explanation of A.
- b. Both A and R are true, but R is not the correct explanation of A.
- c. A is true, but R is false.
- d. A is false, but R is true.

Q.13 Assertion (A): Banks charge a higher interest rate on loans than the interest offered on deposits.

Reason (R): This difference in interest rates is the main source of income for banks.

Options:

- a. Both A and R are true, and R is the correct explanation of A.
- b. Both A and R are true, but R is not the correct explanation of A.
- c. A is true, but R is false.
- d. A is false, but R is true.

Q.14 Assertion (A): Banks need to hold cash reserves to pay depositors.

Reason (R): The amount of cash reserves is typically determined by the central bank.

Options:

- a. Both A and R are true, and R is the correct explanation of A.
- b. Both A and R are true, but R is not the correct explanation of A.
- c. A is true, but R is false.
- d. A is false, but R is true.

15. Assertion (A): Credit can lead to both positive and negative outcomes for individuals based on their circumstances.

Reason (R): Salim benefited from credit to expand his business, while Swapna faced a debt trap due to crop failure.

Options:

- a) Both A and R are true, and R is the correct explanation of A.
- b) Both A and R are true, but R is not the correct explanation of A.
- c) A is true, but R is false.
- d) A is false, but R is true.

16. Assertion (A): Lenders often require collateral when providing loans to borrowers.

Reason (R): Collateral serves as a security for lenders, allowing them to recover their losses if the borrower fails to repay the loan.

- Options:**
- a. Both A and R are true, and R is the correct explanation of A.
 - b. Both A and R are true, but R is not the correct explanation of A.
 - c. A is true, but R is false.
 - d. A is false, but R is true.

17. Assertion (A): The formal sector provides a more regulated source of loans compared to the informal sector.

Reason (R): The Reserve Bank of India supervises the formal lending institutions, ensuring they follow specific guidelines and provide loans at fair interest rates.

- Options:**
- a. Both A and R are true, and R is the correct explanation of A.
 - b. Both A and R are true, but R is not the correct explanation of A.
 - c. A is true, but R is false.
 - d. A is false, but R is true.

18. Assertion (A): Informal lenders charge significantly higher interest rates compared to formal lenders.

Reason (R): Higher interest rates on informal loans result in a larger portion of borrowers' income being used for loan repayment, leaving them with less disposable income.

Options:

- a. Both A and R are true, and R is the correct explanation of A.
- b. Both A and R are true, but R is not the correct explanation of A.
- c. A is true, but R is false.
- d. A is false, but R is true.

19. Assertion (A): The availability of credit at reasonable rates is crucial for economic development.

Reason (R): Cheap and affordable credit enables individuals to grow crops, start businesses, and invest in small-scale industries, thus increasing overall income levels.

Options:

- a. Both A and R are true, and R is the correct explanation of A.
- b. Both A and R are true, but R is not the correct explanation of A.
- c. A is true, but R is false.
- d. A is false, but R is true.

20. Assertion (A): The share of formal sector credit is higher for richer households compared to

poorer households.

Reason (R): Richer households have better access to formal financial institutions, while poorer households often rely on high-interest informal sources for their credit needs.

Options:

- a. Both A and R are true, and R is the correct explanation of A.
- b. Both A and R are true, but R is not the correct explanation of A.
- c. A is true, but R is false.
- d. A is false, but R is true.

21. **Assertion (A):** Poor households in rural areas depend on informal sources of credit due to the difficulty of obtaining bank loans.

Reason (R): Banks require documentation and collateral for loans, which poor households often lack, while informal lenders are willing to provide loans without collateral.

Options:

- a. Both A and R are true, and R is the correct explanation of A.
- b. Both A and R are true, but R is not the correct explanation of A.
- c. A is true, but R is false.
- d. A is false, but R is true.

22. **Assertion (A):** Self-Help Groups (SHGs) empower poor households to access credit more effectively than traditional banks.

Reason (R): SHGs provide a platform for collective savings and decision-making, allowing members to obtain loans without collateral and at lower interest rates.

Options:

- a. Both A and R are true, and R is the correct explanation of A.
- b. Both A and R are true, but R is not the correct explanation of A.
- c. A is true, but R is false.
- d. A is false, but R is true.

23. **Assertion (A):** The informal sector for loans lacks regulation and supervision compared to the formal sector.

Reason (R): The Reserve Bank of India (RBI) oversees the functioning of formal lenders, ensuring they maintain cash reserves and lend responsibly.

Options:

- a. Both A and R are true, and R is the correct explanation of A.
- b. Both A and R are true, but R is not the correct explanation of A.
- c. A is true, but R is false.
- d. A is false, but R is true.

24. Assertion (A): The terms of credit, including interest rates, collateral, and documentation requirements, differ significantly across various lending arrangements.

Reason (R): The differences in the terms of credit are influenced by the relationship between the lender and the borrower.

Options:

- a. Both A and R are true, and R is the correct explanation of A.
- b. Both A and R are true, but R is not the correct explanation of A.
- c. A is true, but R is false.
- d. A is false, but R is true.

25. Assertion (A): People prefer to hold money as demand deposits in banks because it is a safe way to manage their extra cash while earning interest.

Reason (R): Demand deposits can be withdrawn on demand, providing flexibility for people to access their funds whenever necessary.

Options:

- a. Both A and R are true, and R is the correct explanation of A.
- b. Both A and R are true, but R is not the correct explanation of A.
- c. A is true, but R is false.
- d. A is false, but R is true.

26. Assertion (A): Demand deposits, along with currency, constitute money in the modern economy due to their acceptance as a means of payment.

Reason (R): The transaction between the shoe manufacturer and the leather supplier demonstrates that payments can be settled without cash through the use of cheques against demand deposits.

Options:

- a. Both A and R are true, and R is the correct explanation of A.
- b. Both A and R are true, but R is not the correct explanation of A.
- c. A is true, but R is false.
- d. A is false, but R is true.

27. Assertion (A): Banks provide loans at lower interest rates compared to informal lenders.

Reason (R): Formal lenders like banks are regulated and can afford to charge lower rates due to their access to cheaper funds.

Options:

- a. Both A and R are true, and R is the correct explanation for A.
- b. Both A and R are true, but R is not the correct explanation for A.

c. A is true, but R is false.

d. A is false, but R is true.

28. Assertion (A): Rama is trapped in a cycle of debt due to her reliance on her employer for loans.

Reason (R): The high-interest rate charged by the landowner makes it difficult for her to repay previous loans.

Options:

a. Both A and R are true, and R is the correct explanation for A.

b. Both A and R are true, but R is not the correct explanation for A.

c. A is true, but R is false.

d. A is false, but R is true.

29. Assertion (A): Cooperative societies are a major source of cheap credit in rural areas.

Reason (R): Members pool their resources to provide loans to each other at lower interest rates.

Options:

a. Both A and R are true, and R is the correct explanation for A.

b. Both A and R are true, but R is not the correct explanation for A.

c. A is true, but R is false.

d. A is false, but R is true.

30. Assertion (A): The cooperative model in rural areas provides a more sustainable source of credit compared to moneylenders.

Reason (R): Cooperative societies often charge lower interest rates and require members to pool their resources.

Options:

a. Both A and R are true, and R is the correct explanation for A.

b. Both A and R are true, but R is not the correct explanation for A.

c. A is true, but R is false.

d. A is false, but R is true

Answers:

1. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: In a barter system, for a transaction to happen, the two parties must want exactly what the other is offering, which is referred to as double coincidence of wants. The reason (R) correctly explains why this concept is essential in a barter system, where goods are exchanged directly without money.

2. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: In an economy where money is used, people do not need to find someone who both wants to buy what they are selling and sell what they are buying. Money allows people to sell goods for money and then use that money to buy what they need, thus eliminating the need for double coincidence of wants.

3. **Answer:** A is true, but R is false.

Explanation: In a money-based economy, goods and services are exchanged with money, but not all transactions require immediate cash payments. Some transactions may involve a promise to pay money later, such as credit transactions, which makes Reason (R) incorrect in this case.

4. **Answer:** A is true, but R is false.

Explanation: Money does provide a flexible method for exchange, but it actually acts as an intermediate step in transactions. People use money to buy what they need instead of directly exchanging goods. Therefore, Reason (R) is false because it contradicts the purpose of money as an intermediate step in exchange.

5. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: The assertion is true because early societies did use grains and cattle as money before coins were introduced. The reason is also true as it explains the evolution of money from objects to metallic coins, making it a more reliable and standardized form of currency.

6. **Answer:** A is false, but R is true.

Explanation: The assertion is false because modern currency is not made of precious metals; it is made of paper notes and coins that have no intrinsic value. The reason is true as it highlights that government authorization is what gives currency its acceptance as a medium of exchange.

7. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: The assertion is true as the Reserve Bank of India is indeed the sole authority for issuing currency notes. The reason explains why this exclusivity is important: it helps maintain the currency's value and prevents counterfeit currency, making it a correct explanation of the assertion.

8. **Answer:** A is false, but R is true.

Explanation: The assertion is false because demand deposits can be withdrawn on demand, meaning

no specific notice period is required. The reason is true, as it correctly explains the nature of demand deposits, emphasizing their accessibility to the depositor.

9. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: The assertion is true because cheques are commonly used as an alternative to cash for making payments. The reason is also true, as it accurately describes what a cheque is and how it functions in the banking system, making it a correct explanation for the assertion.

10. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: The assertion is true because modern currency itself (like paper notes) has no intrinsic value. The reason explains that its value is derived from government backing, making it a valid explanation for the assertion.

11. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: The assertion is true because banks only retain a small portion of deposits as cash. The reason correctly explains why they do this: to ensure they can meet the withdrawal requests of depositors on any given day.

12. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: The assertion is true because banks indeed use deposits to provide loans. The reason is also true, as the demand for loans for economic activities supports the assertion that banks utilize these deposits for lending purposes.

13. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: Both the assertion and reason are true. Banks do charge a higher interest rate on loans, which generates income, thereby validating the reason as an explanation for the assertion.

14. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: The assertion is true because banks hold cash reserves to ensure they can pay depositors who wish to withdraw funds. The reason is also true as the central bank often sets guidelines for the proportion of deposits that banks must maintain as cash reserves, making it a correct explanation.

15. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: The assertion is true as credit can enhance business growth, exemplified by Salim's success in fulfilling his order and increasing profits. Conversely, Swapna's experience illustrates the risks associated with credit, highlighting how adverse conditions, like crop failure, can result in severe financial consequences, such as losing land.

16. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: The assertion is true because it is a common practice for lenders to ask for collateral,

such as property or assets, to mitigate their risk in case of non-repayment. The reason correctly explains why this practice is essential for lenders, as having collateral gives them the right to sell the asset to recover the loan amount, thus reducing their financial risk.

17. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: The assertion is true because the formal sector, which includes banks and cooperatives, is regulated by the Reserve Bank of India, which ensures that lending practices are fair and transparent. The reason elaborates on this regulation, highlighting the RBI's role in monitoring lending activities and enforcing guidelines, which enhances the safety and reliability of loans in the formal sector compared to the informal sector, where no such supervision exists.

18. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: Informal lenders do charge higher interest rates, which directly leads to borrowers using more of their income for repayments. This means they have less money left for other expenses, confirming that the reason accurately explains the assertion.

19. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: Access to affordable credit is essential for economic growth, as it helps individuals invest in agriculture and businesses. The reason accurately highlights how cheap credit supports this assertion.

20. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: Wealthier households are more likely to access formal credit due to their connections and financial stability, while poorer households depend on informal loans, which supports the assertion.

21. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: Poor households rely on informal credit because banks impose strict requirements, making it challenging for them to access loans. Informal lenders, however, do not require collateral, thus making loans more accessible for these households.

22. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: SHGs enable poor households to gather savings collectively, which facilitates access to loans without the need for collateral, empowering them to meet their financial needs more effectively than traditional banking methods.

23. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: The informal lending sector operates without supervision, allowing lenders to charge any interest rate they choose, while the RBI regulates formal lenders, ensuring responsible lending practices and proper financial management. This difference highlights the lack of protection for borrowers in the informal sector.

24. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: The terms of credit vary across different lending arrangements due to factors like the lender's policies and the borrower's financial situation. Understanding these terms helps borrowers make informed choices about credit sources.

25. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: The assertion is correct because people do prefer demand deposits for safety and interest earnings. The reason also holds true, as the ability to withdraw funds whenever needed adds to the appeal of keeping money in demand deposits, making them a practical choice for managing finances.

26. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: Demand deposits enable transactions through cheques, making them a vital part of the modern payment system. The example illustrates how these deposits function similarly to cash, highlighting their significance in the banking system and the economy as a whole.

27. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: Both the assertion and reason are true. Banks operate under regulations that allow them to manage risks and access funds at lower costs, enabling them to offer lower interest rates than informal lenders.

28. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: Both statements are true. Rama's dependence on her employer for loans, coupled with high-interest rates, creates a cycle of borrowing that is hard to escape, reinforcing her debt situation.

29. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: Both the assertion and reason are true. Cooperative societies work by pooling resources from members, allowing them to offer loans at lower interest rates, making them a significant source of credit in rural areas.

30. **Answer:** Both A and R are true, and R is the correct explanation of A.

Explanation: Both statements are true, and the reason explains the assertion. The cooperative model is indeed more sustainable due to lower interest rates and pooling of resources, which strengthens financial stability for its members compared to the exploitative practices of moneylenders.

Note: This is my humble request to all the readers to re-check doubtful answers. Although, i always try to provide you accurate answers but sometimes unintentional errors may occur. So, do not follow all the answers blindly if they don't fit to your existing knowledge, just check it in the N.C.E.R.T. books or other reliable sources. Lastly, you can also tell me in the comments about my mistakes to make my website more error free. **(the accuracy level of my answers is 99.9% otherwise)**

Category

1. Assertion/Reason

Date

2025/08/20