Money and Credit (Important MCQs for class 10th)

Objective Questions:

Questions asked in Pre-boards and previous years boards.

- Q.1 Formal sources of credit do not include:
- a. Banks
- b. Cooperatives
- c. Employers
- d. Both (a) and (b) Cialsciencesim

- Q.2 Which of the following options provide assured payment?
- a. Cheque
- b. Demand deposit
- c. collateral
- d. Voucher

Answer: a. Cheque

- Q.3 Consider the following statements regarding collateral and identify the incorrect one from the following:
- a. Collateral is what pushes the borrower into a painful situation
- b. Collateral is the amount that RBI gets from other blanks
- c. Collateral is an asset that the borrower owns and uses as guarantee to a lender
- d. Collateral is deposit facility like cheque.

Answer: d. Collateral is deposit facility like cheque.

Q.4 Read the information given below and select the correct optiona?•

Rohan has taken a loan of Rs. 5 Lakhs from the bank to purchase a house on 12% rate of interest. He has to submit papers of the new house and salary record to the bank. What is this process called?

- a. Interest Rate
- b. Collateral
- c. Principal Amount
- d. Installments.

Answer: b. Collateral

Q.5 Why is it difficult taking a loan from a bank than taking a loan from informal source?

- a. Bank does not know the borrower
- b. Bank loan requires proper documents and collateral
- c. Banks often harass the borrowers
- d. Informal sources provide loans at cheaper rates.

Answer: b. Bank loan requires proper documents and collateral

Q.6 Read the information given below and select the correct option

You are a bank manager. A person wants a loan of Rs 10 lakhs from your bank to buy a car with which he can start a taxi service against his house. He agrees to repay the loan in monthly Installments. What other conditions he has to fulfill to avail the loan?

- a. Interest Rate and Collateral
- b. Collateral and installment
- c. Principal Amount and duration of loan
- d. Interest rate and duration of loan.

Answer: a. Interest Rate and Collateral

- Q.7 Name the system in which the double coincidence of wants is an essential feature.
- a. Barter system
- b. Money economy
- c. Global economy
- d. None of these

Answer: a. Barter system

Q.8 Arrange the following in the correct sequence:

- (i) Online payment, Debit card, Credit cards
- (ii) Precious metal coins (gold, silver, copper)
- (iii) Grain and Cattle
- (iv) Modern Currency-paper notes and coins.
- a. (iv)-(i)-(ii)-(iii)
- b. (iii)-(ii)-(i)-(iv)
- c. (iii)-(ii)-(iv)-(i)
- d. (ii)-(iv)-(iii)-(i)

Answer: c. (iii)-(ii)-(iv)-(i)

Q.9 Which of the following statements is true?

- a. As per Indian law, apart from RBI, no other individual or organization is allowed to issue currency.
- b. The Law legalizes the use of rupees as a medium of payment that cannot be refused in settling transactions in India.
- c. No individual in India can legally refuse a payment made in rupees.
- d. All of the above.

Answer: d. All of the above.

Q.10 Identify the correct statementâ??s about Reserve Bank of India (RBI):

- i) In India, it issues currency notes on behalf of the central government.
- ii) It supervises the functioning of informal sources of loans.
- iii) It monitors the SHGs in actually maintaining cash balance.
- iv) It sees that banks give loans only to profit-making businesses and traders.
- a. iv
- b. i, ii, & iii
- c. Only i
- d. i & iii

Answer: c. Only i

Q.11 Which one of the following is a formal source of credit?

- a. Traders
- b. Cooperative societies
- c. Money-lenders
- d. Friends and relatives

Answer: b. Cooperative societies

Q.12 Sunita owns a small flower shop near a temple. She wants to expand her shop by keeping exotic flowers and flower bouquets. To whom she should approach for a very short term credit?

- a. Moneylenders as they provide short term credit.
- b. Banks as they charge low interest.
- c. Cooperatives as they do not require collateral.
- d. Trader or Employer

implified.com **Answer:** c. Cooperatives as they do not require collateral.

Q.13 Which of the following options describe a??collaterala???

- a. Double coincidence of wants
- b. Trade in barter
- c. Certain products for barter
- d. Asset as guarantee for loan

Answer: d. Asset as guarantee for loan

Q.14 Which of the following is the main informal sources of credit for rural household in India?

- a. Friends
- b. relatives
- c. landlords
- d. money lenders

Answer: d. money lenders

Q.15 Formal sources of credit do not include

Preeti

- a. Banks
- b. Cooperatives
- c. Employers
- d. Both (a) and (b)

Answer: c. Employers

Q.16 The main source of earning for the financial institutions like banks are:

- a. Demand Deposits
- b. Collateral
- c. Loans
- d. All of these

Answer: c. Loans

Socialsciencesimpli Q.17 Evaluate the statement: a?? Keeping a small cash reserve while lending most deposits is rational.â?• Choose the best justification.

- a. It reduces the need for any cash withdrawals
- b. It matches typical withdrawal patterns and supports productive lending
- c. It allows banks to avoid paying interest to depositors
- d. It prevents borrowers from accessing funds

Answer: b. It matches typical withdrawal patterns and supports productive lending

Q.18 Identify the correct statements:

- i. Credit can be helpful when it increases timely production and earnings.
- ii. Loan repayment in farming is independent of harvest outcomes.
- iii. High-cost informal credit can aggravate risk after a crop failure.
- iv. Credit always reduces risk in agriculture.
- a. i and iii only
- b. i and ii only
- c. ii and iv only
- d. i, ii, iii, iv

Answer: a. i and iii only

Q.19 A farmer had a normal crop but still cannot close last yearâ??s loan and takes a fresh one to repay old dues. This situation is:

- a. Refinancing benefit
- b. Debt-trap
- c. Collateral release

d. Price support

Answer: b. Debt-trap

Q.20 Identify the incorrect statement.

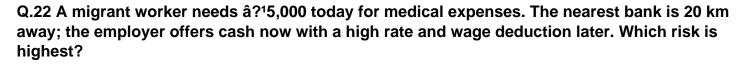
- a. Formal lenders are supervised; informal lenders are not.
- b. Informal interest rates are usually lower than bank rates.
- c. High borrowing cost reduces income left with the borrower.
- d. Banks submit lending data to the RBI.

Answer: b. Informal interest rates are usually lower than bank rates.

Q.21 A borrower signs a bank agreement showing interest rate, repayment schedule, and penalties. These details together are called

- a. Creditworthiness
- a. Creditwo...

 b. Collateral register cialsciencesimplified.com



- a. Transparent pricing
- b. Over-borrowing at low cost
- c. Exploitation due to no supervision and high effective interest
- d. Easy grievance redress through RBI

Answer: c. Exploitation due to no supervision and high effective interest

Q.23 The institution that supervises banks and monitors lending data is the _____.

a. SEBI

- b. NABARD
- c. RBI
- d. NITI Aayog

Answer: c. RBI

Q.24 A lender who â??knows you personally,â?• gives cash without papers, and allows you to borrow again before clearing the old loan most likely offers

- a) formal bank credit
- b) cooperative loan
- c) micro-insurance
- d) informal credit

Answer: d) informal credit

Q.25 The primary barrier that keeps many poor households from bank loans is

- a. distance to markets
- b. absence of collateral and documents
- c. lack of savings habit
- d. seasonal migration

Answer: b. absence of collateral and documents

DUCIO

Q.26 A group of 15a??20 women meets monthly, pools small savings, and issues tiny loans at rates below the moneylender. This arrangement is ient is Implified.com

- a. SHG
- b. chit fund
- c. venture circle
- d. informal club

Answer: a. SHG

Q.27 Why does it become difficult for farmers in rural areas to take loans from government banks? Read the following reasons and choose the most appropriate option:

- I. Lack of collateral
- II. Complicated procedure
- III. Higher cost of borrowing
- IV. Lack of awareness

Options:

- a. Only, I, II and III are correct.
- b. Only II. III, and IV are correct.
- c. Only I, II and IV are correct.
- d. Only I, III, and IV are correct.

Answer: c. Only I, II and IV are correct.

Q.28 Ravi has cotton but needs wheat; Asha has wheat and needs cotton. They can swap. If this match doesnâ??t occur, exchange may stop. Which pair correctly names the requirement for such a swap and the mechanism that removes this requirement?

- a. Double coincidence of wants; credit sale
- b. Double coincidence of wants; bank loan
- c. Double coincidence of wants; money as medium of exchange
- d. Price quotation; commodity barter

Answer: c. Double coincidence of wants; money as medium of exchange

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 dona??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 Cialsciencesimplified.com website more error free. (the accuracy level of my answers is 99.9% otherwise)

Category

1. Objective Questions

Date

2025/11/13