Worksheet: Money and Banking

IB · Class 12 · Economics · 3 questions · 13 marks

Name: _____	Date: _____	Score: _____ / 13

Q1. Suppose the Cash Reserve Ratio (CRR) is 5% and someone deposits ₹2,000 in a bank. Calculate: (i) The total deposit that can be created in the banking system. (ii) The money multiplier. *[3 marks]*

Q2. Explain how the RBI can use (a) the repo rate and (b) open market operations to control inflation. *[4 marks]*

Q3. Explain the process by which commercial banks create credit. What are the limitations of the credit creation process? *[6 marks]*