

**JMS COLLEGE, MUNGER, BIHAR**  
**(MUNGER UNIVERSITY)**  
**Department of Commerce**

**B.Com Part-II (Money & Banking)**  
**Multiple Choice Questions (MCQs)**

1. In the United States monetary policy is carried out by
  - a. the Federal Reserve System.
  - b. Congress.
  - c. the President.
  - d. Congress and the President acting together.
  
2. Which of the following is an example of a barter transaction?
  - a. An individual pays her electric bill with a check.
  - b. An individual pays her electric bill with currency.
  - c. An individual provides three light bulbs to her neighbor in exchange for two gallons of milk.
  - d. An individual deposits three twenty-dollar bills in her checking account.
  
3. Deflation refers to
  - a. a sustained fall in the general level of prices.
  - b. a reduction in the quantity of money and credit relative to other goods.
  - c. a sustained loss in purchasing power.
  - d. the losses that result when debtors go bankrupt.
  
4. Which of the following statements is true about M3?
  - a. Its total value is smaller than that of M2.
  - b. Apart from those assets also included in M1 it includes no assets that offer check-writing features.
  - c. Its total value is more than four times as large as M2.
  - d. It includes large-denomination time deposits.
  
5. What is the monthly payment for a 12%, 24-month used car loan if you borrow \$6,000?
  - a. \$250.01
  - b. \$262.24
  - c. \$282.44
  - d. \$302.87

6. A **two**-year discount note is currently priced at \$9,325; therefore, it currently yields:

- a. 3.56%
- b. 3.62%
- c. 6.75%
- d. 7.24%

7. If, while you are holding a coupon bond, the interest rates on other similar bonds fall, you know that

- a. the coupon payments on your bond will fall.
- b. the market price of your bond will rise.
- c. the market price of your bond will fall.
- d. the par value of your bond will rise.

8. Assets with greater risk

- a. Usually go unsold relative to those with lower risk.
- b. are generally tax-free to compensate for the increased risk.
- c. Tend to have higher yields to compensate for the increased risk.
- d. Are avoided by rational people.

9. Assets with greater liquidity

- a. also have greater returns.
- b. are generally tax-free.
- c. help savers smooth spending over time.
- d. are avoided by rational people.

10. The flight to quality during the early years of the Great Depression resulted in

- a. the yield on government securities being pushed close to zero.
- b. a decline in the spread between medium-quality corporate bonds and long-term Treasury securities.
- c. a fall in the commercial paper rate relative to the T-bill rate.
- d. a decline in the price of T-bills.

**Note :** Dear students, for any doubt or clarification, send your query at [madhulika.kvs@gmail.com](mailto:madhulika.kvs@gmail.com)

**ANSWERS**

1. (a)	2. (c)	3. (b)	4. (d)	5. (c)	6. (a)	7. (b)	8. (c)	9. (c)
10. (a)								