

CBSE CLASS X
Social Science (087)

QUESTION PAPER
AI-generated question paper

Code: 1KLEOU

Questions: 49

Maximum Marks: 133

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SELECTIONS USED

Subject	Social Science
Lessons	3 Money and Credit
Level of understanding	Thorough understanding
Question selection	Curated chapter coverage (~5 questions per section + 8 synthesis)
Model	claude-sonnet-4-6

Composition — Difficulty: 2 straightforward · 29 medium · 18 deep | Types: 32 Short · 7 MCQ · 6 Long · 4 Very short

Q1. medium thorough-understanding § NOTES FOR THE TEACHER [2]

Why is modern currency accepted as a medium of exchange even though it is not made of precious metals and has no intrinsic use of its own?

◆ Money and Credit

Q2. medium thorough-understanding § NOTES FOR THE TEACHER [3]

What is meant by 'double coincidence of wants' in a barter economy? Explain why the use of money as a medium of exchange eliminates this requirement.

◆ Money and Credit

Q3. deep thorough-understanding § NOTES FOR THE TEACHER [3]

Banks hold only a small fraction of their total deposits as cash reserves, yet they are normally able to meet all withdrawal demands. Why is this the case, and what risk does it create?

◆ Money and Credit

Q4. medium thorough-understanding § NOTES FOR THE TEACHER [1]

Credit helped Salim, the shoe manufacturer, expand his business and increase earnings, but pushed Swapna, the farmer, deeper into debt. Both borrowed money to meet production costs. What factor BEST explains why credit had such opposite outcomes for the two borrowers?

- (A) Salim borrowed from a formal source while Swapna borrowed from an informal source
- (B) Salim had a higher income than Swapna before taking the loan
- (C) Salim's earnings increased as planned, while Swapna's crop failed, leaving her unable to repay
- (D) Salim used the loan for manufacturing while Swapna used it for consumption

A Salim borrowed from formal sources while Swapna borrowed from informal sources.

B The level of risk in their situations differed — Salim faced a confirmed order while Swapna's crop was vulnerable to failure.

C Salim repaid his loan faster than Swapna could.

D Swapna had no collateral to offer the moneylender, so she was charged a higher rate.

◆ Money and Credit

Q5. deep thorough-understanding § NOTES FOR THE TEACHER [3]

Poor rural households in India depend far more on informal sources of credit than rich households do. Explain two distinct reasons — one from the side of the banks and one from the side of the poor borrowers — that together account for this pattern.

◆ Money and Credit

Q6. deep thorough-understanding § NOTES FOR THE TEACHER [5]

Poor women with no assets to offer as collateral are generally unable to get loans from banks individually. Yet, banks are willing to lend to Self-Help Groups whose members are the same women. Explain how the way an SHG is organised makes it creditworthy in the eyes of a bank, even in the absence of individual collateral.

◆ Money and Credit

Q7. straightforward thorough-understanding § MONEY AS A MEDIUM OF EXCHANGE [1]

A dairy farmer wants to sell her milk and use the proceeds to buy rice. She approaches several rice sellers, but none of them want milk in return. (i) Explain the specific difficulty the farmer faces in completing this exchange. (ii) How does the use of money resolve this difficulty?

◆ Money and Credit

Q8. deep thorough-understanding § MONEY AS A MEDIUM OF EXCHANGE [3]

In a barter economy, a skilled doctor wants to pay a carpenter to repair her roof. The carpenter, however, is perfectly healthy and needs no medical services.

(i) Explain the exact difficulty the doctor faces in completing this exchange under barter.

(ii) A student argues: "This problem disappears the moment the doctor is paid in money, even if the carpenter still doesn't want medical services." Do you agree? Justify your answer by explaining what property of money makes this possible.

◆ Money and Credit

Q9. straightforward thorough-understanding § MODERN FORMS OF MONEY [1]

Modern currency — paper notes and coins — is not made of precious metals and has no use of its own. Yet people willingly accept it in all transactions. Why?

◆ Money and Credit

Q10. medium thorough-understanding § MODERN FORMS OF MONEY [3]

A leather supplier receives a cheque from a shoe manufacturer instead of cash. Explain, step by step, how the leather supplier actually receives the money owed to him.

◆ Money and Credit

Q11. medium thorough-understanding § MODERN FORMS OF MONEY [3]

Banks hold only a small fraction of their deposits as cash reserves and lend out the rest. Why is this practice not normally a problem, and under what circumstance could it become one?

◆ Money and Credit

Q12. medium thorough-understanding § MODERN FORMS OF MONEY [1]

Which of the following BEST explains why demand deposits are considered money?

- (A) They earn interest, making them more valuable than cash.
 - (B) They can be withdrawn on demand and used to settle payments directly through cheques.
 - (C) They are issued by the Reserve Bank of India, giving them legal status.
 - (D) They are backed by gold reserves held by the government.
- A They earn interest, making them more valuable than cash.
B They can be withdrawn on demand and used to settle payments directly through cheques.
C They are issued by the Reserve Bank of India, giving them legal status.
D They are backed by gold reserves held by the government.

◆ Money and Credit

Q13. medium thorough-understanding § MODERN FORMS OF MONEY [3]

How do commercial banks act as intermediaries between depositors and borrowers? Explain the role this plays in the economy.

◆ Money and Credit

Q14. deep thorough-understanding § MODERN FORMS OF MONEY [5]

Currency and demand deposits are both described as 'money' in the modern economy, yet they differ in origin and form. Compare the two, and explain why the existence of demand deposits as money depends critically on the banking system working properly.

◆ Money and Credit

Q15. deep thorough-understanding § LOAN ACTIVITIES OF BANKS [3]

Banks keep only a small fraction of their deposits as cash and lend out the rest. Why does this practice not normally cause a problem for depositors who wish to withdraw their money — and under what circumstance could it become a serious problem?

◆ Money and Credit

Q16. medium thorough-understanding § TWO DIFFERENT CREDIT SITUATIONS [3]

Salim takes a loan to fulfil a large order of shoes and repays it successfully, while Swapna takes a loan for crop cultivation and ends up selling part of her land. Both borrowed money for productive purposes. Why did credit help one person and harm the other?

◆ Money and Credit

Q17. medium thorough-understanding § TWO DIFFERENT CREDIT SITUATIONS [1]

A fisherman takes a loan at the start of the fishing season to buy nets and equipment, promising to repay after the season ends. During the season, an unexpected storm destroys his boat and catch. Which of the following best explains what will likely happen next?

- (A) The loan will be repaid easily since the fisherman can take another loan to cover the loss.
- (B) The credit will have played a positive role because the fisherman had a productive intent.
- (C) The fisherman may fall into a debt trap, as the loss makes repayment impossible and future loans add to the burden.
- (D) The lender will waive the loan since the loss was due to a natural cause.

- A The loan will be repaid easily since the fisherman can take another loan to cover the loss.
- B The credit will have played a positive role because the fisherman had a productive intent.
- C The fisherman may fall into a debt trap, as the loss makes repayment impossible and future loans add to the burden.
- D The lender will waive the loan since the loss was due to a natural cause.

◆ Money and Credit

Q18. medium thorough-understanding § TWO DIFFERENT CREDIT SITUATIONS [2]

A borrower who takes a second loan to repay the first often finds the debt growing rather than shrinking. Using the concept of a debt trap, explain why this cycle is so difficult to break and what conditions make a borrower particularly vulnerable to it.

◆ Money and Credit

Q19. deep thorough-understanding § TWO DIFFERENT CREDIT SITUATIONS [3]

Agricultural households typically borrow at the beginning of the crop season and repay only after the harvest, whereas a small manufacturer can repay a loan as soon as an order is fulfilled. Explain why this difference in the repayment pattern makes farming households significantly more vulnerable to a debt trap than small manufacturing units.

◆ Money and Credit

Q20. deep thorough-understanding § TWO DIFFERENT CREDIT SITUATIONS [5]

Credit can either improve a borrower's situation or make it significantly worse. Analyse what factors determine which outcome occurs, using evidence from both the shoe manufacturer and the small farmer examples.

◆ Money and Credit

Q21. medium thorough-understanding § TERMS OF CREDIT [3]

A borrower takes a loan from a bank using his house as collateral. He later fails to repay the loan. Explain how collateral protects the lender's interest both before and after the borrower defaults.

◆ Money and Credit

Q22. deep thorough-understanding § TERMS OF CREDIT [3]

Rama, an agricultural labourer, borrows from her landowner-employer at 5% per month to meet daily expenses. Arun, a medium farmer, borrows from a bank at 8.5% per annum for cultivation. Even though Arun's loan is larger in amount, why is Rama's credit arrangement far more burdensome for her? In your answer, refer to the terms of credit that make the two arrangements different.

◆ Money and Credit

Q23. medium thorough-understanding § Variety of Credit Arrangements [3]

Shyamal, a small farmer, borrows from an agricultural trader instead of the village moneylender. Even though the trader's interest rate is lower, the arrangement still disadvantages Shyamal. Explain how.

◆ Money and Credit

Q24. medium thorough-understanding § Variety of Credit Arrangements [3]

Rama, a landless agricultural labourer, borrows from her employer-landowner at 5% per month to meet household needs. Despite repaying regularly, she finds her total outstanding debt growing each season. Identify the feature of this credit arrangement that makes it exploitative, and explain how it traps the borrower over time.

◆ Money and Credit

Q25. medium thorough-understanding § Variety of Credit Arrangements [3]

Arun owns seven acres of land and borrows from a nationalised bank at 8.5% per annum for cultivation. Shyamal owns 1.5 acres and borrows from a trader at 3% per month. What explains the stark difference in the cost of credit available to these two farmers? What does this reveal about the role of collateral in accessing formal credit?

◆ Money and Credit

Q26. medium thorough-understanding § Variety of Credit Arrangements [1]

An agricultural trader in a village supplies farm inputs on credit at the start of the season and insists that farmers sell their harvested crop exclusively to him. Which of the following best explains why the trader imposes this condition?

- (A) To help farmers get a better price for their crops in the market.
- (B) To ensure timely repayment and earn additional profit from buying crops at low post-harvest prices.
- (C) To prevent farmers from borrowing from the village moneylender.
- (D) To comply with rules set by the Reserve Bank of India.

A To help farmers get a better price for their crops in the market.

B To ensure timely repayment and earn additional profit from buying crops at low post-harvest prices.

C To prevent farmers from borrowing from the village moneylender.

D To comply with rules set by the Reserve Bank of India.

◆ Money and Credit

Q27. medium thorough-understanding § Variety of Credit Arrangements [3]

How does a cooperative society like Krishak Cooperative manage to offer cheaper credit to its members, even though it lends mainly to small farmers who may lack individual collateral?

◆ Money and Credit

Q28. deep thorough-understanding § Variety of Credit Arrangements [2]

After the potato harvest, a farmer considers two options: selling the crop immediately at low post-harvest prices, or storing it in a cold storage facility and using the warehouse receipt as collateral to obtain a fresh bank loan. Explain the financial reasoning behind choosing the second option and what it reveals about the relationship between credit access and farmers' bargaining power.

◆ Money and Credit

Q29. deep thorough-understanding § Variety of Credit Arrangements [5]

In Sonpur, different groups of people — a small farmer, a medium farmer with bank access, and a landless labourer — each face very different terms of credit. What does this pattern reveal about the relationship between a person's economic position and the cost of credit they can access? What are the broader consequences of this inequality for rural development?

◆ Money and Credit

Q30. medium thorough-understanding § FORMAL SECTOR CREDIT IN INDIA [1]

[mcq] The Reserve Bank of India issues guidelines on interest rates and lending practices to commercial banks but does not exercise similar control over moneylenders or chit funds. Which of the following BEST explains why this difference in regulation exists?

- (A) Moneylenders operate outside village boundaries and are therefore beyond the RBI's jurisdiction.
- (B) Informal lenders are too numerous and dispersed, and their transactions are largely unrecorded, making systematic supervision impractical.
- (C) Informal lenders charge lower interest rates than banks, so regulation is unnecessary.
- (D) The RBI only regulates institutions that accept deposits from the public.

A Informal lenders do not charge interest, so supervision is unnecessary.

B Formal lenders are registered institutions accountable under law, whereas informal lenders operate outside any regulatory framework.

C The RBI only supervises banks in urban areas, leaving rural lenders unregulated.

D Informal lenders lend smaller amounts, making supervision impractical.

◆ Money and Credit

Q31. medium thorough-understanding § FORMAL SECTOR CREDIT IN INDIA [3]

[short_answer] The Reserve Bank of India does not merely allow banks to operate freely in search of profit — it imposes specific obligations on them. What are TWO such obligations, and why does the RBI consider it necessary to impose these restrictions on commercial banks?

◆ Money and Credit

Q32. deep thorough-understanding § FORMAL SECTOR CREDIT IN INDIA [3]

In rural India, commercial banks account for the largest share of credit, yet the poor still rely heavily on moneylenders. Using data on formal and informal credit distribution, explain this apparent contradiction.

◆ Money and Credit

Q33. medium thorough-understanding § FORMAL SECTOR CREDIT IN INDIA [3]

How does a high interest rate charged by an informal lender create a cycle that can make a borrower permanently worse off, rather than simply costing more money in the short term?

◆ Money and Credit

Q34. deep thorough-understanding § FORMAL SECTOR CREDIT IN INDIA [5]

Rich urban households obtain 83% of their loans from formal sources, while poor urban households obtain 54% of their loans from informal sources. What structural barriers prevent the poor from accessing formal credit, and what does this unequal distribution mean for economic inequality?

◆ Money and Credit

Q35. medium thorough-understanding § FORMAL SECTOR CREDIT IN INDIA [1]

[very_short_answer] Unlike commercial banks, informal lenders such as moneylenders are not supervised by any regulatory authority. Identify ONE specific reason why bringing informal lenders under formal regulation is structurally difficult for the government.

◆ Money and Credit

Q36. medium thorough-understanding § SELF-HELP GROUPS FOR THE POOR [3]

A rural woman belonging to a Self Help Group wants to take a small loan. She has no collateral to offer. Why would the SHG still be willing to lend her money, even though a bank in the same situation typically would not?

◆ Money and Credit

Q37. medium thorough-understanding § SELF-HELP GROUPS FOR THE POOR [1]

Which of the following best explains why banks are willing to give loans to Self Help Groups even though the individual members have no collateral?

- (A) The government guarantees repayment of all SHG loans.
- (B) The group collectively takes responsibility for repayment, so peer pressure among members ensures defaults are followed up seriously.
- (C) SHG members always deposit large savings with the bank before receiving a loan.
- (D) RBI directs banks to give loans to SHGs without any conditions.

A The government guarantees repayment of all SHG loans.

B The group collectively takes responsibility for repayment, so peer pressure among members ensures defaults are followed up seriously.

C SHG members always deposit large savings with the bank before receiving a loan.

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◆ Money and Credit

Q38. deep thorough-understanding § SELF-HELP GROUPS FOR THE POOR [5]

Rama, an agricultural labourer, remains trapped in debt with her landowner-employer despite working for him year after year. How could joining a Self Help Group change her situation? In your answer, address both the financial and non-financial benefits she could gain.

◆ Money and Credit

Q39. medium thorough-understanding § SELF-HELP GROUPS FOR THE POOR [3]

A newly formed SHG applies to a bank for a loan but is rejected. A bank manager explains that the group needs to demonstrate certain creditworthiness before a loan can be sanctioned. What would the bank look for in the group's track record, and how does this criterion protect both the bank and the group's members?

◆ Money and Credit

Q40. deep thorough-understanding § SELF-HELP GROUPS FOR THE POOR [2]

The interest rate charged by an SHG on loans to its members is lower than that of a moneylender but higher than zero. Why do you think the SHG charges any interest at all, rather than lending completely interest-free to its own members?

◆ Money and Credit

Q41. medium thorough-understanding § SUMMING UP [3]

Credit can either lift a borrower out of poverty or push them deeper into a debt trap. Using one concrete example for each outcome, explain what determines whether credit helps or harms a borrower.

◆ Money and Credit

Q42. medium thorough-understanding § ADDITIONAL PROJECT / ACTIVITY [3]

A government employee with a steady salary and a migrant labourer in the city both need loans. Why is the government employee far more likely to receive a bank loan than the migrant labourer, even if both need the same amount? What does this difference reveal about who benefits from formal credit in India?

◆ Money and Credit

Q43. medium thorough-understanding § (whole-chapter synthesis) [3]

Money is described as a medium of exchange. Explain how the modern banking system allows money to fulfil this role even without any physical currency changing hands. Use appropriate examples in your answer.

◆ Money and Credit

Q44. deep thorough-understanding § (whole-chapter synthesis) [3]

Banks keep only a small proportion of their total deposits as cash reserves and lend out the rest. Explain how this practice makes credit possible in the economy, and what risk it creates for depositors and the banking system.

◆ Money and Credit

Q45. medium thorough-understanding § (whole-chapter synthesis) [1]

Salim the shoe manufacturer and Swapna the groundnut farmer both take credit to meet their production needs, yet credit helps one and harms the other. What single underlying factor best explains this difference in outcome?

◆ Money and Credit

Q46. deep thorough-understanding § (whole-chapter synthesis) [3]

Collateral is a key term in formal credit arrangements. How does the requirement of collateral simultaneously explain (i) why richer households access formal credit more easily, and (ii) why the poor are pushed towards informal lenders who charge much higher interest rates?

◆ Money and Credit

Q47. medium thorough-understanding § (whole-chapter synthesis) [1]

Which of the following best explains why cheap and affordable credit is described as crucial for a country's development?

- (A) It increases the government's tax revenue by encouraging more commercial activity among large corporations.
- (B) It allows borrowers — including small farmers, traders and entrepreneurs — to invest, raise incomes and repay loans without falling into debt traps.
- (C) It reduces the need for collateral, making banks more profitable and financially secure.
- (D) It enables the Reserve Bank of India to print less currency, keeping inflation under control.

A It increases the profits of banks, allowing them to pay higher interest to depositors.

B It allows borrowers — including small farmers, traders and entrepreneurs — to invest, raise incomes and repay without falling into debt traps.

C It reduces the need for the Reserve Bank of India to supervise informal lenders.

D It eliminates the double coincidence of wants problem that exists in a barter economy.

◆ Money and Credit

Q48. deep thorough-understanding § (whole-chapter synthesis) [3]

The Reserve Bank of India supervises formal lenders, but no such body oversees informal lenders. Explain how this difference in supervision directly affects (i) the cost of borrowing for the poor and (ii) their vulnerability to a debt trap.

◆ Money and Credit

Q49. medium thorough-understanding § (whole-chapter synthesis) [3]

The poor in rural areas often find it difficult to access formal credit. Explain how Self Help Groups address the barriers that prevent the poor from borrowing from formal financial institutions.

◆ Money and Credit

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