

**CBSE CLASS X**  
**Social Science (087)**QUESTION PAPER  
*AI-generated question paper***Code: NCX4SV****Questions: 28****Maximum Marks: 62****Generated: 2026-06-26 09:46****SELECTIONS USED**

Subject	Social Science
Lessons	3 Money and Credit
Level of understanding	Exam-ready
Question selection	CBSE board paper, whole lesson (~80 marks across Sections A-E)
Model	claude-sonnet-4-6

Composition — Difficulty: 7 straightforward · 15 medium · 6 deep | Types: 8 MCQ · 7 Short · 5 Assertion–reason · 3 Very short · 3 Case-based · 2 Long | Sections: A 13Q/13m · B 3Q/6m · C 7Q/21m · D 2Q/10m · E 3Q/12m

**Q1.** straightforward exam-ready **[1]**

Which of the following is the primary reason why modern currency is accepted as a medium of exchange even though it has no intrinsic value?

- A It is made of durable material
- B It is authorised by the government of the country
- C It can be exchanged for gold at any time
- D It is issued by commercial banks

◆ Money and Credit

**Q2.** straightforward exam-ready **[1]**

In a barter system, which condition is essential for an exchange of goods to take place?

- A Presence of a bank as an intermediary
- B Use of a common currency
- C Double coincidence of wants
- D A written agreement between parties

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**Q3.** straightforward exam-ready **[1]**

Which of the following is NOT an informal source of credit?

- A Moneylenders
- B Employers
- C Cooperative societies
- D Relatives and friends

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**Q4.** straightforward exam-ready [1]

[mcq] Salma wants to take a loan from a bank but the bank insists she provide 'collateral'. Which of the following would be accepted as collateral by the bank?

- (A) Her educational certificates
  - (B) Her agricultural land with proper ownership documents
  - (C) Her monthly wages
  - (D) Her personal guarantee
- A The interest rate charged on a loan
  - B An asset owned by the borrower used as a guarantee to the lender
  - C The amount of loan sanctioned by a bank
  - D A certificate issued by the RBI to banks

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**Q5.** straightforward exam-ready [1]

[mcq] Ramesh needs to pay Rs 20,000 to his supplier but does not want to carry cash. He writes an instruction to his bank to transfer the amount from his account. Which instrument does Ramesh use for this purpose?

- (A) Promissory note
  - (B) Cheque
  - (C) Barter token
  - (D) Credit card
- A Currency notes
  - B Cheques drawn on demand deposits
  - C Coins issued by the government
  - D Loans from moneylenders

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**Q6.** medium exam-ready [1]

Which of the following best describes a 'debt trap'?

- A A situation where the borrower invests the loan in a profitable business
- B A situation where the borrower's debt keeps growing and recovery becomes very painful
- C A government scheme to provide cheap loans to the poor
- D A type of collateral offered to the bank

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**Q7.** medium exam-ready [1]

Why are banks willing to lend to poor women organised in Self Help Groups even when individual members have no collateral?

- A The government provides a guarantee for each member's loan
- B The group itself is responsible for repayment and monitors its members
- C The RBI instructs banks to waive the collateral requirement for all rural loans
- D SHG members deposit gold with the bank before taking a loan

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**Q8.** straightforward exam-ready [1]

[mcq] Banks do not keep all the money deposited with them as cash. Why do banks keep only a small proportion of their deposits as cash reserves?

- (A) To pay salaries and operational expenses
- (B) Because not all depositors withdraw their money at the same time, and the rest can be lent out
- (C) Because the RBI allows banks to destroy excess currency
- (D) To meet the collateral requirements of borrowers

A 25 per cent

B 15 per cent

C 5 per cent

D 50 per cent

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**Q9.** medium exam-ready [1]

Assertion (A): The rupee cannot be legally refused as a means of payment for settling transactions in India.

Reason (R): The Reserve Bank of India issues currency notes on behalf of the central government, and the law legalises the rupee as a medium of payment.

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.

◆ Money and Credit

**Q10.** medium exam-ready [1]

Assertion (A): Informal sector lenders often charge much higher interest rates than formal sector lenders.

Reason (R): The Reserve Bank of India supervises and regulates the loan activities of informal lenders.

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.

◆ Money and Credit

**Q11.** medium exam-ready [1]

Assertion (A): Demand deposits are considered a form of money in the modern economy.

Reason (R): Demand deposits can be withdrawn on demand and payments can be made through cheques, allowing them to function as a medium of exchange.

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.

◆ Money and Credit

**Q12.** deep exam-ready [1]

Assertion (A): Poor households in both rural and urban India depend more on informal sources of credit than rich households do.

Reason (R): Poor households often lack the collateral and documentation required to access formal sector loans from banks.

- 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.

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**Q13.** deep exam-ready [1]

Assertion (A): Higher cost of borrowing from informal lenders can lead to a debt trap for poor borrowers.

Reason (R): When the interest to be repaid exceeds the income of the borrower, the debt keeps rising and the borrower's situation worsens.

- 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.

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**Q14.** straightforward exam-ready [2]

State any two components that together make up the 'terms of credit' in a loan agreement.

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**Q15.** medium exam-ready [2]

Why is the absence of collateral a major obstacle for poor people in accessing bank loans?

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**Q16.** medium exam-ready [2]

How does money eliminate the problem of double coincidence of wants that exists in a barter system?

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**Q17.** medium exam-ready [3]

Explain how a cooperative society functions as a source of credit for its members in rural areas.

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**Q18.** medium exam-ready [3]

Describe the terms of credit that a small farmer in a village typically faces when borrowing from an agricultural trader. How do these terms benefit the trader?

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**Q19.** medium exam-ready [3]

[short\_answer] How does the Reserve Bank of India ensure that commercial banks follow fair lending practices and do not exploit borrowers? Why is such regulation important for the economy?

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**Q20.** medium exam-ready [3]

Why do the richer households in India have greater access to formal sector credit compared to poorer households? Explain with reasons.

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**Q21.** medium exam-ready [3]

[short\_answer] Many rural women who need credit are unable to access bank loans individually. How has the Self Help Group model overcome this barrier, and what role do members themselves play in managing the group's funds?

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**Q22.** medium exam-ready [3]

Using the example of a shoe manufacturer who receives a large order before the festival season, explain how credit can play a positive role in increasing earnings.

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**Q23.** deep exam-ready [3]

Credit can be both a boon and a bane for borrowers. Analyse this statement using two contrasting situations.

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**Q24.** deep exam-ready [5]

[long\_answer] (A) Rural poor in India often find themselves trapped in a cycle of debt with informal lenders. Explain how Self Help Groups (SHGs) offer an alternative credit mechanism to such households. In your answer, discuss: (a) why the rural poor are excluded from formal credit, (b) how an SHG pools resources and provides loans to its members, and (c) how SHGs empower women beyond just providing credit.

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**Q25.** deep exam-ready [5]

Compare and contrast the formal and informal sectors of credit in India. In your answer, discuss: (a) examples of each, (b) differences in interest rates and terms of credit, (c) regulatory oversight, and (d) who benefits more from each sector and why.

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**Q26.** deep exam-ready [4]

Read the following situation and answer the questions that follow:

Rama is a landless agricultural labourer in a village. There are several months in the year when she has no work. She depends on her employer — a medium landowner — for loans to meet daily expenses and for emergencies like sudden illness or family functions. The landowner charges an interest rate of 5 per cent per month. Rama repays the money by working for him. Most of the time, Rama has to take a fresh loan before the previous one is repaid. Though the landowner does not treat her well, she continues to work for him because she has no other source of credit.

(i) Why is Rama unable to access credit from formal sources such as banks? (1 mark)

(ii) At 5 per cent per month, what is the annual rate of interest Rama pays? How does this compare with the typical bank loan rate for a farmer? (1 mark)

(iii) Explain how Rama's situation illustrates the concept of a debt trap. (2 marks)

◆ Money and Credit

**Q27.** medium exam-ready**[4]**

[case\_study] Read the following and answer the questions:

In a village near Sonpur, a group of 18 women have formed a Self Help Group. They meet every month, pool their savings, and have been doing so regularly for over a year. The group recently applied for a bank loan and the bank sanctioned a loan in the group's name. The members plan to use the funds to buy sewing machines, purchase raw materials, and release mortgaged land. All decisions about how loans are given to members and how repayments are tracked are made collectively by the members themselves.

- (i) Why was the bank willing to sanction a loan to the group even though individual women had no collateral to offer? (1 mark)
- (ii) Name any two productive activities for which the SHG members plan to use the loan. (1 mark)
- (iii) How does the collective functioning of an SHG help its members in ways that go beyond access to credit? Explain with two points. (2 marks)

◆ Money and Credit

**Q28.** medium exam-ready**[4]**

Read the following and answer the questions:

Megha has taken a loan of Rs 5 lakhs from a bank to purchase a house. The bank asked her to submit employment records and salary documents before approving the loan. The annual interest rate is 12 per cent and the loan must be repaid in monthly instalments over 10 years. The bank retained the papers of the new house as security and will return them only after the entire loan with interest is repaid.

- (i) What is the term used for the house papers that the bank has retained as security? (1 mark)
- (ii) Identify any two components of the 'terms of credit' evident in this loan arrangement. (1 mark)
- (iii) Why do banks insist on such documentation and security before granting loans? What risk does this help the bank manage? (2 marks)

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