

# 3.1 Money & Banking

## Question Paper

Course	CIE IGCSE Economics
Section	3. Microeconomic Decision Makers
Topic	3.1 Money & Banking
Difficulty	Medium

**Time allowed:** 20  
**Score:** /12  
**Percentage:** /100

### Question 1

Which function do central banks and commercial banks have in common?

- A. acting as a banker's bank
- B. controlling monetary policy
- C. dealing with foreign exchange
- D. supervising the banking system

[1 mark]

### Question 2

What is the **most** important characteristic of money?

- A. It has intrinsic value.
- B. It is generally acceptable.
- C. It is portable.
- D. It is readily available.

[1 mark]

### Question 3

What is **not** normally a function of the central bank of a country?

- A. acting as lender of last resort
- B. issuing notes and coins
- C. operating the government's monetary policy
- D. setting the government's budget

[1 mark]

#### Question 4

What would be **least** likely to act as a store of value during a period of rapid inflation?

- A. cash
- B. gold
- C. property
- D. shares

[1 mark]

#### Question 5

What can a central bank increase in order to reduce consumer borrowing?

- A. commercial bank deposits
- B. government spending
- C. the exchange rate
- D. the rate of interest

[1 mark]

#### Question 6

Which row shows a characteristic of money and a function of money?

	characteristic	function
<b>A</b>	acceptability	medium of exchange
<b>B</b>	cash	measure of value
<b>C</b>	divisibility	portability
<b>D</b>	store of value	bank deposit

[1 mark]

### Question 7

An African government has abandoned its own dollar and now uses the US dollar as its currency.

Why would such a policy have been necessary?

- A. Commercial banks restricted their lending.
- B. Consumers only used credit cards rather than paper money.
- C. Its own dollar no longer acted as a store of value.
- D. The central bank controlled the issue of money too tightly.

[1 mark]

### Question 8

Which organisations can directly fund the growth of firms?

	central bank	commercial banks	government
<b>A</b>	no	yes	no
<b>B</b>	no	yes	yes
<b>C</b>	yes	no	no
<b>D</b>	yes	no	yes

[1 mark]

### Question 9

Which advantage do coins have that make them more suitable than banknotes to act as money?

- A. They are more divisible.
- B. They are more durable.
- C. They are more portable.
- D. They are more recognisable.

[1 mark]

### Question 10

What is a function of a central bank?

- A. collecting taxes
- B. issuing currency
- C. providing bank accounts for individuals
- D. setting foreign trade tariffs

[1 mark]

### Question 11

A central bank acts as a lender of last resort especially in times of financial crisis.

What is the purpose of this function?

- A. to cover credit card debts of consumers
- B. to provide liquidity to the banking system
- C. to remove failing banks from the financial system
- D. to safeguard the profits of the banking system

[1 mark]

### Question 12

What is a function of a central bank?

- A. accepting deposits from the public
- B. determining tax rates
- C. implementing monetary policy
- D. lending to businesses

[1 mark]