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Money and Credit — CBSE Class 10 Social Science Chapter Test

FREE CHAPTER TEST · CLASS X · SOCIAL SCIENCE (087) · PATTERN OF THE CBSE SAMPLE QUESTION PAPER 2026-27

TIME ALLOWED	MAXIMUM MARKS	QUESTIONS	NAME / ROLL NO.
1½ hours	40	20 (A 10 · B 4 · C 3 · D 1 · E 2)	

GENERAL INSTRUCTIONS

Read the following instructions very carefully and strictly follow them:

1. This question paper contains 20 questions. All questions are compulsory.
2. This question paper is divided into five sections: A, B, C, D and E.
3. In Section A, Questions 1 to 8 are multiple choice questions (MCQs) and Questions 9 and 10 are assertion-reason based questions of 1 mark each.
4. In Section B, Q11–14 are very short answer (VSA) type questions, carrying 2 marks each.
5. In Section C, Q15–17 are short answer (SA) type questions, carrying 3 marks each.
6. In Section D, Q18 is a long answer (LA) type question, carrying 5 marks.
7. In Section E, Q19–20 are case study based questions, carrying 4 marks each, with sub-parts of the values of 1, 1 and 2 marks.
8. There is no overall choice. However, an internal choice has been provided in 1 question of Section B, 1 question of Section C, 1 question of Section D and in the 2-mark sub-part of each question of Section E.
9. Answer very short answer questions in about 40 words, short answer questions in about 60 words, long answer questions in about 120 words and case-based questions in about 100 words.
10. This chapter test follows the section structure, question types and marks per question of the CBSE Class X Social Science (087) Sample Question Paper 2026-27, at about half the length of the 80-mark board paper: 40 marks in 1½ hours.
11. The answer key and the marking scheme are at the end of this booklet. Attempt the paper in 1½ hours before you look at them.

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Chapter: Money and Credit (Economics: Understanding Economic Development) · **Topics:** Money as a medium of exchange · Modern forms of money · Loan activities of banks · Two different credit situations · Terms of credit · Formal and informal credit · Self Help Groups

SECTION A

This section comprises 10 questions of 1 mark each: 8 multiple choice questions (MCQs) and 2 assertion-reason based questions.

1. In a barter system, goods are exchanged directly without the use of money. The essential requirement for such exchange is 1

(A) a cheque
(B) collateral
(C) double coincidence of wants
(D) a bank account

2. Who issues currency notes on behalf of the Central Government in India? 1

(A) The Reserve Bank of India
(B) The State Bank of India
(C) The Ministry of Finance directly
(D) Commercial banks

3. Deposits in bank accounts that can be withdrawn on demand are called 1

(A) fixed deposits
(B) demand deposits
(C) collateral
(D) loans

4. Banks in India hold about 15 per cent of their deposits as cash. If a bank has deposits of ₹50 crore, about how much does it keep as cash? 1

(A) ₹5 crore
(B) ₹15 crore
(C) ₹35 crore
(D) ₹7.5 crore

5. An asset that a borrower owns and uses as a guarantee to a lender until the loan is repaid is called 1

(A) interest
(B) collateral
(C) a cheque
(D) a deposit

6. Which of the following is a source of credit in the formal sector? 1

(A) Moneylender
(B) Trader
(C) Co-operative society
(D) Relative or friend

7. A Self Help Group (SHG) usually has 1

(A) 15–20 members, mostly from one neighbourhood, who meet and save regularly
(B) only one member
(C) only bank officials as members
(D) members who must offer land as collateral

8. A farmer borrows ₹10,000 from a moneylender at 3 per cent per month (simple interest). How much interest does he owe after 6 months? 1

(A) ₹300
(B) ₹600
(C) ₹3,000
(D) ₹1,800

9. **Assertion (A):** Credit sometimes pushes the borrower into a debt trap. 1
Reason (R): When a crop fails, a farmer who has borrowed may have to sell part of his land to repay the loan and end up worse off than before.

(A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

10. **Assertion (A):** The Reserve Bank of India supervises the functioning of informal lenders such as moneylenders. 1
Reason (R): The informal lenders can lend at whatever interest rate they choose, with no organisation to supervise their credit activities.

(A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

SECTION B

This section comprises 4 very short answer (VSA) type questions of 2 marks each.

11. (a) How does money solve the problem of double coincidence of wants? Explain with an example. 2

OR

(b) What is a cheque? How is a payment made by cheque?

12. Why are modern forms of money such as currency accepted as a medium of exchange? 2

13. Why is cheap and affordable credit important for the development of the country? Give two reasons. 2

14. What is the main source of income for banks? Explain. 2

SECTION C

This section comprises 3 short answer (SA) type questions of 3 marks each.

15. (a) Explain how the role of credit was different for Salim, a shoe manufacturer, and for Swapna, a small farmer. 3

OR

(b) Explain the four terms of credit.

16. Why are most of the poor households dependent on informal sources of credit? Give three reasons. 3

17. A farmer needs ₹20,000 for six months. A moneylender charges 4 per cent per month; a bank charges 12 per cent per year (both simple interest). (i) Find the interest in each case. (ii) How much more does the farmer pay to the moneylender? (iii) Why might the farmer still borrow from the moneylender? 3

SECTION D

This section comprises 1 long answer (LA) type questions of 5 marks each.

18. (a) What are Self Help Groups (SHGs)? Explain how they work and how they help the rural poor, especially women. 5

OR

(b) Distinguish between formal and informal sources of credit with five points. Why is it necessary to expand formal credit in India?

SECTION E

This section comprises 2 case study based questions of 4 marks each, with sub-parts of 1, 1 and 2 marks.

19. The Grameen Bank of Bangladesh was started in the 1970s as a small project. Its founder, Professor Muhammad Yunus, was awarded the Nobel Prize for Peace in 2006. Most of its borrowers are women who belong to the poorest sections of society, and it has proved that poor people can be good borrowers.

(i) Who founded the Grameen Bank of Bangladesh? [1]

(ii) In which year did he receive the Nobel Prize for Peace? [1]

(iii) How does the Grameen Bank model show that the poor can be reliable borrowers? Give two points. [2]

OR

(iii) Why do banks find it hard to lend to the rural poor, and how do SHGs solve this problem? [2]

20. Arjun, a schoolteacher, borrowed ₹8 lakh from a bank to buy a small flat, at an interest rate of 9 per cent a year, to be repaid over 15 years in monthly instalments. The bank asked him for his salary slips and appointment letter, and kept the sale deed of the flat until the loan is repaid.

(i) What did the bank keep as collateral? [1]

(ii) Which documents did Arjun have to show? [1]

(iii) Why does a bank ask for collateral and documents before giving a loan? [2]

OR

(iii) Find the interest Arjun would owe for the first year if he repaid nothing in that year, and explain why the interest rate matters to borrowers. [2]

END OF THE QUESTION PAPER

ANSWER KEY — SECTION A

Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10
(C)	(A)	(B)	(D)	(B)	(C)	(A)	(D)	(A)	(D)

MARKING SCHEME AND WORKED SOLUTIONS

Marks for each step are shown in brackets, as in the CBSE marking scheme. Any correct alternative method earns full marks.

Q1. Answer (C). What one person wishes to sell must be exactly what the other wishes to buy, and vice versa; money removes this need by acting as a medium of exchange.

Q2. Answer (A). No other individual or organisation is allowed to issue currency; the rupee is legally accepted as a medium of payment.

Q3. Answer (B). Since the money can be withdrawn on demand, these are demand deposits; payments can also be made from them by cheque.

Q4. Answer (D). 15 per cent of ₹50 crore = ₹7.5 crore; the rest is used to extend loans.

Q5. Answer (B). If the borrower fails to repay, the lender has the right to sell the collateral (land, building, vehicle, livestock, deposits) to obtain payment.

Q6. Answer (C). Banks and cooperatives are formal sources, supervised by the Reserve Bank of India; moneylenders, traders, employers and relatives are informal.

Q7. Answer (A). After a year or two of regular saving, the group becomes eligible for a bank loan, given in the group's name, without collateral.

Q8. Answer (D). Interest per month = 3% of 10,000 = ₹300; for 6 months = ₹1,800.

Q9. Answer (A). Both true, and R explains A: credit raises income only when the risk does not turn out badly. Answer (A).

Q10. Answer (D). A is false: the RBI supervises the formal sector (banks and cooperatives), not informal lenders. R is true. Answer (D).

Q11. (2 marks) Answer: (a) barter needs matching wants; money as medium of exchange; (b) instruction to bank; example of transfer.
(a) In barter, a shoe manufacturer who wants wheat must find a wheat-grower who not only sells wheat but also wants shoes in exchange. [1]
With money as a medium of exchange, the shoe manufacturer sells shoes for money to anyone and uses the money to buy wheat from anyone; the need for double coincidence is eliminated. [1]
OR (b) A cheque is a paper instructing the bank to pay a specific amount from the person's account to the person in whose name the cheque has been issued. [1]
For example, a shoe manufacturer pays a leather supplier by cheque: the supplier deposits it in his bank, and the money is transferred from one account to the other in a couple of days. [1]

Q12. (2 marks) Answer: Authorised by the government; RBI issues; legal tender.
Currency is accepted because it is authorised by the government of the country. [1]
In India the Reserve Bank of India issues currency notes on behalf of the Central Government; the law legalises the rupee as a medium of payment that cannot be refused in settling transactions. [1]

Q13. (2 marks) Answer: More borrowing for crops and business raises incomes; avoids high interest and debt traps.
Cheap credit allows more people to borrow for growing crops, doing business and setting up small-scale industries, which raises incomes and production. [1]
High-cost credit takes away a large part of the borrower's earnings in interest and can push him into a debt trap; affordable credit avoids this. [1]

Q14. (2 marks) Answer: Difference between interest on loans and interest on deposits.
Banks use the major portion of their deposits to extend loans, and charge a higher interest rate on loans than what they offer on deposits. [1]
The difference between what is charged from borrowers and what is paid to depositors is their main source of income. [1]

Q15. (3 marks) Answer: (a) Salim gained from credit; Swapna's crop failed; debt trap; (b) interest and collateral; documentation; repayment.
(a) Salim took credit to meet the working capital needs of production for a large festival-season order; credit helped him complete the order on time and earn a profit — credit played a positive role. [1]
Swapna took a loan from a moneylender to meet the expenses of cultivation; her crop failed due to pests, so she could not repay. [1]
The debt grew; she had to sell part of her land to repay and was left worse off — this is a debt trap. [1]
OR (b) Interest: rate charged by the lender; collateral: asset pledged as guarantee, which the lender can sell if the loan is not repaid. [1]
Documentation: papers such as proof of employment or income that the lender asks for. [1]
Mode of repayment: the way and time in which the loan is to be repaid; terms vary with the nature of the lender and the borrower. [1]

Q16. (3 marks) Answer: No collateral or documents; banks not everywhere; moneylenders lend without collateral.
Bank loans require proper documents and collateral; the poor often lack collateral and documents. [1]
Banks are not present everywhere in rural India, and getting a bank loan is difficult and time-consuming. [1]
Informal lenders such as moneylenders know the borrowers personally and are often willing to give a loan without collateral, though at very high interest rates. [1]

Q17. (3 marks) Answer: (i) ₹4,800 and ₹1,200; (ii) ₹3,600; (iii) no collateral, no bank nearby.
(i) Moneylender: 4% of 20,000 = ₹800 a month, ₹4,800 for 6 months. Bank: 12% a year = 1% a month, ₹200 a month, ₹1,200 for 6 months. [1]
(ii) 4,800 − 1,200 = ₹3,600 more. [1]
(iii) He may have no collateral or documents for a bank loan, or no bank nearby; the moneylender gives quick loans to people he knows. [1]

Q18. (5 marks) Answer: (a) 15–20 members saving; internal loans; bank loan after a year or two; group responsibility; collateral-free, empowers women; (b) formal vs informal: sources, supervision, interest, collateral, need for formal credit.
(a) An SHG is a group of 15–20 members, usually belonging to one neighbourhood, who meet and save regularly; saving per member varies from ₹25 to ₹100 or more, depending on ability. [1]
Members can take small loans from the group itself at reasonable interest rates, lower than what moneylenders charge. [1]
After a year or two, if the group is regular in savings, it becomes eligible for a loan from a bank, sanctioned in the name of the group, to create self-employment opportunities. [1]
Most important decisions about savings and loans are taken by the group members; the group is responsible for repayment, and non-repayment by one member is followed up seriously by others. [1]
SHGs help borrowers overcome the lack of collateral and give timely loans at reasonable rates; they are building blocks of organisation of the rural poor, helping women become financially self-reliant and discuss issues like health, nutrition and domestic violence. [1]
OR (b) Formal sources: banks and cooperatives; supervised by the Reserve Bank of India. [1]
Informal sources: moneylenders, traders, employers, relatives and friends; no organisation supervises them. [1]
Formal lenders charge lower interest; informal lenders can charge very high interest, and more of the borrower's income goes to repaying. [1]
Formal loans need collateral and documents; informal lenders may lend without them but may use unfair means to get money back. [1]
Cheap and affordable formal credit is essential for development, so banks and cooperatives must lend more, mainly to the poor, and dependence on informal sources must reduce. [1]

Q19. (4 marks) Answer: (i) Muhammad Yunus; (ii) 2006; (iii)(a) regular repayment by poor women, loans lift them out of poverty; (b) no collateral; group loans.
(i) Professor Muhammad Yunus. [1]
(ii) 2006. [1]
(iii)(a) Most of its borrowers, poor women, repay their loans regularly. [1]
Its loans, given without collateral, help them start small activities and come out of poverty. [1]
OR (iii)(b) The rural poor lack collateral and documents, and lending small amounts to many individuals is costly for banks. [1]
SHGs pool savings and take loans in the group's name; the group is responsible for repayment, so no collateral is needed. [1]

Q20. (4 marks) Answer: (i) sale deed of the flat; (ii) salary slips and appointment letter; (iii)(a) ability to repay; guarantee; (b) ₹72,000; higher rate leaves less income.
(i) The sale deed of the flat. [1]
(ii) His salary slips and appointment letter (proof of employment and income). [1]
(iii)(a) Documents show that the borrower has a regular income and can repay. [1]
Collateral guarantees repayment: if the borrower fails to repay, the bank can sell it. [1]
OR (iii)(b) 9% of ₹8,00,000 = ₹72,000. [1]
A higher interest rate means a larger part of the borrower's earnings goes to repaying the loan, leaving less income. [1]

All questions are original and © Master Testing Agency. Free to download and use for personal practice; not for resale. Every answer in this paper was checked against the NCERT Class 10 Economics textbook, Understanding Economic Development, and the marks in every model answer were checked by computer.