Corrigendum/Explanation SFG 2025 Level 1 Test 11

There are no changes to the solutions/answers. Explanations have been provided for the students who have raised doubts.

Q.27) There was a doubt raised with respect to Statement 2 of the question that the Monetary Policy Committee is responsible for fixing key policy rates in the country.
Explanation- Statement 2 is correct. As per section 45ZB(3) of the Reserve Bank of India Act 1934"The Monetary Policy Committee shall determine the Policy Rate required to achieve the inflation target." Also in the minutes of different Monetary Policy Committee meetings the RBI has frequently mentioned all key policy rates and their impact on inflation. However, we accept that the statement could have been better framed but the statement in its general sense is not incorrect in itself.
Source: https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/RBIA1934170510.PDF (page 85)
https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=57366

Q.38) There was a doubt raised with respect to the explanation part of the question that the increase in Currency Deposit Ratio will increase the cash in hand with the public.
Explanation- The explanation is correct as the **Currency Deposit Ratio** (CDR) is the **ratio of the total currency in circulation to the total deposits held in banks.** The formula for the currency deposit ratio (cdr) is: cdr=CU/DD
Where CU is the amount of money held by the public in cash and DD is the amount of money held by the public in bank deposits. The increase in ration means the currency in the hands of the public is increasing and the deposits in banks are decreasing. Vice-Versa, if the banking customers are withdrawing money from the banks then the currency in circulation will increase and the deposits with banks will decrease and hence the Currency Deposit Ratio will increase.