

Section : Economics

**Q.1** For a hypothetical firm, the total cost of producing 5 units of a commodity is Rs. 310 and that of producing 8 units is Rs. 850. If the firm has to spend Rs. 50 even when there is no output, what will be the marginal cost of producing the 8th unit?

1. Rs. 50
2. Rs. 180
3. Rs. 270
4. Rs. 540

Options 1. 1  
2. 2  
3. 3  
4. 4

**Q.2** Two goods X and Y are such a combination that, when the price of good Y increases, the demand for good X increases, How are goods X and Y related?

1. complementary goods
2. substitute goods
3. inferior goods
4. supplementary goods

Options 1. 1  
2. 2  
3. 3  
4. 4

**Q.3** What will be the shape of unitary elastic supply curve?

1. 45° upward sloping line.
2. A straight upward sloping line intercepting X-axis.
3. Downward sloping line.
4. A downward sloping line passing through the origin.

Options 1. 1  
2. 2  
3. 3  
4. 4

**Q.4** Identify the characteristics of the resources from the following

1. Resources are limited
2. Resources are available for free
3. Resources are scarce only in developing countries.
4. Resources have alternative uses.

Choose the correct answer from the options given below:

1. (A) and (D) only
2. (A), (B) and (C) only
3. (A), (B), (C) and (D)
4. (B), (C) and (D) only

Options 1. 1  
2. 2  
3. 3  
4. 4

**Q.5** Match List-I with List-II

List-I	List-II
(A) Land	(I) Interest
(B) Labor	(II) Profit
(C) Capital	(III) Wages
(D) Entrepreneurship	(IV) Rent

Choose the correct answer from the options given below:

1. (A) – (I), (B) – (II), (C) – (III), (D) – (IV)
2. (A) – (IV), (B) – (III), (C) – (II), (D) – (I)
3. (A) – (I), (B) – (II), (C) – (IV), (D) – (III)
4. (A) – (IV), (B) – (III), (C) – (I), (D) – (II)

Options 1. 1

2. 2
3. 3
4. 4

**Q.6** When the price of a good falls from Rs. 40 to Rs 30, the total revenue earned by the firm falls from Rs. 4000 to Rs. 2700. find price elasticity of supply for the good.

- 1.2
2. 1.3
- 3.1
4. 0.5

Options 1. 1

2. 2
3. 3
4. 4

**Q.7** Which of the following is not true ?

1. The production function of a firm is a monetary relationship between inputs used and output produced by the firm.
2. The production function gives the maximum quantity of output that can be produced.
3. A production function deals only with the efficient use of inputs.
4. A production function is defined for a given technology.

Options 1. 1

2. 2
3. 3
4. 4

**Q.8** Which of the following will be included in the domestic territory of India?

1. Russian embassy located in India
2. Indian embassy located in Japan
3. A cargo ship operated by a French parked in Vishakhapatnam
4. An army base operated by the USA in India.

Options 1. 1

2. 2
3. 3
4. 4

**Q.9** Identify the incorrect statement from the following.

1. In microeconomics, we study the behaviour of individual economic agents in the markets for different goods and services.
2. In macroeconomics, we try to get an understanding of the economy as a whole by focusing our attention on aggregate measures such as total output, employment and aggregate price level.
3. In macroeconomics, we are interested in finding out how the levels of aggregate macro measures are determined and how the levels of these aggregate measures change over time.
4. In macroeconomics, we try to figure out how prices and quantities of goods and services are determined through the interaction of individuals in these markets.

Options 1. 1

2. 2
3. 3

**Q.10** Suppose the Income of consumers in a market increase. How will this effect the equilibrium price of the commodity, assuming that it is a normal good?

1. There is excess demand at the existing price.
2. Rising price leads to contraction in demand and expansion in supply and a new equilibrium price is attained, which is higher than the initial price.
3. The demand curve shifts rightward.
4. There is upward pressure on the price and price starts rising.

Choose the correct answer from the options given below:

1. (A), (B), (C), (D)
2. (C), (A), (B), (D)
3. (C), (A), (D), (B)
4. (C), (B), (D), (A)

Options 1. 1

2. 2
3. 3
4. 4

**Q.11** Match List-I with List-II

List-I

(A) Excess demand

(B) Excess supply

(C) Entry of new firms in the market

(D) Price taker

List-II

(I) Supernormal profits

(II) Perfect competition

(III) Price tends to fall

(IV) Price tends to rise

Choose the correct answer from the options given below:

1. (A) – (IV), (B) – (III), (C) – (I), (D) – (II)
2. (A) – (III), (B) – (IV), (C) – (I), (D) – (II)
3. (A) – (IV), (B) – (III), (C) – (II), (D) – (I)
4. (A) – (III), (B) – (IV), (C) – (II), (D) – (I)

Options 1. 1

2. 2
3. 3
4. 4

**Q.12** Which of the following is a debt creating capital receipt of the government?

1. Proceeds from the sale of PSUs.
2. Recovery of loans
3. Receipt of interest on loan.
4. Borrowings

Options 1. 1

2. 2
3. 3
4. 4

**Q.13** Match List-I with List-II

List-I

(A) Increase in price of goods X

(B) Increase in income of consumers

(C) Good X is a necessary good

(D) Demand curve of Good X is a rectangular hyperbola.

List-II

(I) Increase in demand for normal goods.

(II) Demand is price inelastic

(III) Unit elasticity of demand.

(IV) Contraction in demand for good X

Choose the correct answer from the options given below:

1. (A) – (IV), (B) – (III), (C) – (I), (D) – (II)
2. (A) – (I), (B) – (III), (C) – (II), (D) – (IV)
3. (A) – (I), (B) – (II), (C) – (IV), (D) – (III)
4. (A) – (IV), (B) – (I), (C) – (II), (D) – (III)

Options 1. 1

- 2. 2
- 3. 3
- 4. 4

**Q.14** Identify the objectives of government budget from the following.

1. Opening bank accounts of people.
2. Economic Stability.
3. Increase the employment rate in the economy.
4. Redistribution of income

Choose the correct answer from the options given below:

1. (A), (B) and (D) only
2. (A), (B) and (C) only
3. (B) and (D) only
4. (C) and (D) only

Options 1. 1

- 2. 2
- 3. 3
- 4. 4

**Q.15** Which of the following is not a feature of perfect competition?

1. The market consists of a large number of buyers and sellers
2. The product of one firm can be differentiated from the product of other firms.
3. Entry into the market as well as exit from the market are free for firms.
4. perfect information

Options 1. 1

- 2. 2
- 3. 3
- 4. 4

**Q.16** Which of the following is true regarding supply of a commodity?

1. Technological progress leads to a decrease in the supply of a commodity.
2. When the price of inputs rises, the supply curve of the good shifts to the left.
3. Technological progress shifts the supply curve of the firm to the right.
4. Imposition of a unit tax on a firm shifts the supply curve of the goods produced by the firm to the left.

Choose the correct answer from the options given below:

1. (A), (B) and (D) only
2. (A), (B) and (C) only
3. (A), (B), (C) and (D)
4. (B), (C) and (D) only

Options 1. 1

- 2. 2
- 3. 3
- 4. 4

**Q.17** Identify the correct sequence due to which firms under perfect competition earn normal profits in the long run.

1. The firms are earning less than normal profit at the prevailing price.
2. The profits of each firm will increase to the level of normal profit.
3. No more firm will want to leave, since they will be earning normal profit here.
4. Some firms will exit, which will lead to an increase in price.

Choose the correct answer from the options given below:

1. (A), (B), (C), (D)
2. (A), (D), (C), (B)
3. (A), (D), (B), (C)
4. (C), (B), (D), (A)

Options 1. 1

- 2. 2
- 3. 3
- 4. 4

**Q.18** Match List-I with List-II

List-I

(A) Average Propensity to Consume

(B) Marginal Propensity to Consume

(C) Average Propensity to Save

(D) Marginal Propensity to Save

List-II

(I) It is the savings per unit of income

(II) It is the consumption per unit of income

(III) It is the change in savings per unit change in income

(IV) It is the change in consumption per unit change in income

Choose the correct answer from the options given below:

1. (A) – (II), (B) – (IV), (C) – (I), (D) – (III)
2. (A) – (II), (B) – (IV), (C) – (III), (D) – (I)
3. (A) – (I), (B) – (II), (C) – (IV), (D) – (III)
4. (A) – (III), (B) – (IV), (C) – (I), (D) – (II)

Options 1. 1

2. 2
3. 3
4. 4

**Q.19** Which of the following correctly defines Gross National Product at Market Prices (GNP<sub>Mp</sub>)?

1. GNP<sub>Mp</sub> is the value of all the final goods and services that are produced within the economic territory of India and is measured at the market prices, in a year.
2. GNP<sub>Mp</sub> is the value of all the final goods and services that are produced by the normal residents of India and is measured at the market prices, in a year.
3. GNP<sub>Mp</sub> is the value of the income earned by the factors in the form of wages, profits, rent, interest, etc., within the domestic territory of a country.
4. GNP<sub>Mp</sub> is the market value of all final goods and services produced within a domestic territory of a country
5. measured in a month.

Options 1. 1

2. 2
3. 3
4. 4

**Q.20** If for a hypothetical economy, the Net National Product at Factor cost is Rs 3580 crore, Net Indirect Taxes are Rs 35 crore and Net Current Transfers from the Rest of the World are Rs 240 crore, then what will be the value of National Disposable Income?

1. Rs 3615 crore
2. Rs 3820 crore
3. Rs 3855 crore
4. Rs 3340 crore

Options 1. 1

2. 2
3. 3
4. 4

**Q.21** Suppose the GDP at market price of a country in a particular year was Rs 2,100 crores. Depreciation was Rs 50 crores. The value of Indirect taxes was Rs 250 crores, Subsidies was Rs 150 crores and National Income was Rs 1250 crores. Calculate the aggregate value of net factor income from abroad.

1. -700
2. 700
3. 850
4. -850

Options 1. 1

2. 2
3. 3

**Q.22** Individual demand for a good does not depend upon which of the following?

1. Affordability of the consumer.
2. Price of substitute good.
3. Tastes and preferences of the consumer.
4. Number of consumers

Options 1. 1

2. 2
3. 3
4. 4

**Q.23** If aggregate demand falls after reaching full employment equilibrium, what will be the likely impact on the economy?

1. Excess Demand in the economy.
2. Deficient supply in the economy.
3. economy will come back to equilibrium after sometime.
4. deficient demand in the economy.

Options 1. 1

2. 2
3. 3
4. 4

**Q.24** Put the alternatives given below in the sequence in which they occur to reach the equilibrium level of out put given that aggregate demand falls short of aggregate supply.

1. In this case, the firm has to run down existing inventories, which will lead to a fall in production and hence income.
2. Stocks will be piling up in the warehouses, causing unintended accumulation of inventories.
3. Ex- ante demand for final goods falls short of the output of final goods that the producers have planned to produce in a given year.
4. process continues till Ex- ante demand for final goods equals to ex-ante output of final goods

Choose the correct answer from the options given below:

1. (D), (B), (A), (C)
2. (B), (C), (A), (D)
3. (C), (A), (B), (D)
4. (C), (B), (A), (D)

Options 1. 1

2. 2
3. 3
4. 4

**Q.25** The purchase of war tanks by Indian government from Russia will be classified as

1. Capital expenditure
2. Capital receipt
3. Revenue expenditure
4. Revenue receipt

Options 1. 1

2. 2
3. 3
4. 4

**Q.26** Due to recessionary pressure in an economy, suppose the government plans a deficit budget for a given financial year.

Identify the correct sequence in which this will affect the economy.

- Taxes will be reduced, and public spending will increase.
- GDP will start rising.
- Aggregate demand will rise.
- The purchasing power of the people will increase.

Choose the correct answer from the options given below:

1. (A), (B), (C), (D)

2. (A), (D), (C), (B)
3. (B), (A), (D), (C)
4. (C), (B), (D), (A)

Options 1. 1

2. 2
3. 3
4. 4

**Q.27** If there is an increase in investment by Rs100 in an economy,  $MPC = 0.9$ , choose the correct sequence with reference to the working of the investment multiplier.

1. Producers increase their planned output further by  $(0.9)10$ , the income of the economy goes up by  $(0.9)10$  and consumption demand increases further by  $(0.9)210$ .
2. This process goes on, round after round.
3. Income increases by 100, Consumption expenditure increases by 90 and therefore, aggregate demand goes up by 90.
4. The total increment in the income will be 1000.

Choose the correct answer from the options given below:

1. (A), (B), (C), (D)
2. (B), (A), (C), (D)
3. (C), (A), (B), (D)
4. (D), (B), (C), (A)

Options 1. 1

2. 2
3. 3
4. 4

**Q.28** Identify the assumptions of the two - sector economy's circular flow of income.

1. There is no trade with other countries.
2. Households do not spend all their income.
3. There is no government.
4. Households do not save.

Choose the correct answer from the options given below:

1. (A), (C) and (D) only
2. (A), (B) and (C) only
3. (A), (B) and (D) only
4. (B), (C) and (D) only

Options 1. 1

2. 2
3. 3
4. 4

**Q.29** Which of the following is NOT a condition for profit maximization of a perfectly competitive firm in the short run?

1. The price 'p' must equal MC
2. Average revenue must be rising.
3. Price must be greater than the average variable cost ( $p > AVC$ )
4. Marginal cost must be non-decreasing at the profit maximizing level of output.

Options 1. 1

2. 2
3. 3
4. 4

**Q.30** Which of the following are components of aggregate demand ?

1. Autonomous Investment
2. Autonomous Consumption
3. Induced investment
4. Induced consumption

Choose the correct answer from the options given below:

1. (A), (B) and (D) only
2. (A), (B) and (C) only
3. (A), (B), (C) and (D)
4. (B), (C) and (D) only

- Options 1. 1  
2. 2  
3. 3  
4. 4

**Q.31 Match List-I with List-II**

**List-I**

**List-II**

- (A) Expenditure method (I) Inventory investment  
(B) Income method (II) GDP in the phase of disposition  
(C) Value added method (III) GDP in the phase of distribution  
(D) Value of output - sales (IV) GDP in the phase of production

Choose the correct answer from the options given below:

1. (A) – (I), (B) – (II), (C) – (III), (D) – (IV)
2. (A) – (I), (B) – (III), (C) – (II), (D) – (IV)
3. (A) – (II), (B) – (III), (C) – (IV), (D) – (I)
4. (A) – (III), (B) – (IV), (C) – (I), (D) – (II)

- Options 1. 1  
2. 2  
3. 3  
4. 4

**Q.32 In which of the following, the demand for a good will be highly price elastic?**

1. When the price of the good and total expenditure on it change in the same direction.
2. When the price of the good and total expenditure on it change in the opposite direction.
3. When the price of the good and does not affect the total expenditure.
4. When the income of the consumer and total expenditure on it change in the same direction.

- Options 1. 1  
2. 2  
3. 3  
4. 4

**Q.33 If the total revenue curve of a firm is an upward sloping straight line, then which of the following is true for this firm?**

1. Marginal revenue is falling.
2. Marginal revenue is increasing.
3. Marginal revenue is always equal to average revenue.
4. Marginal revenue is greater than average revenue.

- Options 1. 1  
2. 2  
3. 3  
4. 4

**Q.34 If the marginal cost(MC) of a perfectly competitive firm is as given below and the price of the product is Rs 15, find the profit-maximizing output of the firm**

output    2   3   4   5   6

MC        18 15 10 12 15 24

1. 2
2. 3
3. 5
4. 6

- Options 1. 1  
2. 2  
3. 3  
4. 4

**Q.35** At the short run equilibrium of income and employment, \_

1. Ex-ante saving = Ex-ante consumption
2. Ex-ante investment = Ex-ante consumption
3. Ex-ante saving = Ex-ante investment
4. Ex-ante saving = Ex-post investment

Options 1. 1

2. 2
3. 3
4. 4

**Q.36** Which of the following measures can be taken under fiscal policy to solve the problem of deficient demand in the economy?

1. Increase repo rate.
2. Increase public spending.
3. Decrease cash reserve ratio.
4. Decrease reverse repo rate.

Options 1. 1

2. 2
3. 3
4. 4

**Q.37** Which of the following is incorrect with reference to the imposition of a price floor for a good?

1. The government imposes a lower limit on the purchase price for some of the goods.
2. The floor is normally set at a level lower than the market-determined price for these goods.
3. It leads to an excess supply in the market.
4. It is also known as minimum support price(MSP).

Options 1. 1

2. 2
3. 3
4. 4

**Q.38** Which of the following is not true about GST in India?

1. GST has simplified the multiplicity of taxes on goods and services.
2. It has facilitated the freedom of movement of goods and services and created a common market in the country.
3. It is aimed at increasing the cost of business operations.
4. It has also reduced the overall cost of production, which will make Indian products/services more competitive in the domestic and international markets.

Options 1. 1

2. 2
3. 3
4. 4

**Q.39** Measure the level of ex-ante aggregate demand when autonomous investment and consumption expenditure (A) is Rs 80 crores, and MPC is 0.75.

1. 80 crore
2. 160 crore
3. 320 crore
4. 640 crore

Options 1. 1

2. 2
3. 3
4. 4

**Q.40** "If and only if between any two bundles, the consumer prefers the bundle which has more of at least one of the goods and no less of the other good as compared to the other bundle". Such preferences are known as

1. Monotonic Preference.
2. Structured Preferences.

3. Sequential Preferences

4. Irregular Preferences.

Options 1. 1

2. 2

3. 3

4. 4

**Q.41 Autonomous and Accommodating Transactions**

International economic transactions are called autonomous when transactions are made due to some reason other than to bridge the gap in the balance of payments, that is, when they are independent of the state of BoP. One reason could be to earn profit. These items are called 'above the line items' in the BoP. The balance of payments is said to be in surplus (deficit) if autonomous receipts are greater (less) than autonomous payments.

Accommodating transactions (termed 'below the line' items), on the other hand, are determined by the gap in the balance of payments, that is, whether there is a deficit or surplus in the balance of payments. In other words, they are determined by the net consequences of the autonomous transactions. Since the official reserve transactions are made to bridge the gap in the BoP, they are seen as the accommodating item in the BoP.

In a situation of Balance of payments deficit, which of the following will be true?

1. Official reserves will increase

2. Official reserves will fall.

3. Official reserves will not be affected.

4. There will be an increase in international lending of the economy.

Options 1. 1

2. 2

3. 3

4. 4

**Q.42 Autonomous and Accommodating Transactions**

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Suppose the central bank of an economy records a net increase in the foreign exchange reserves for a given quarter.

How will this be reflected in the balance of payments account of this economy?

1. current account, debit side

2. current account, credit side

3. capital account, debit side

4. capital account, credit side

Options 1. 1

2. 2

3. 3

4. 4

**Q.43 Autonomous and Accommodating Transactions**

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Which of the following is not an autonomous transaction of the balance of payments?

1. external commercial borrowings
2. Exports
3. official reserve transactions
4. foreign direct investment

Options 1. 1

2. 2
3. 3
4. 4

#### Q.44 Autonomous and Accommodating Transactions

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Balance of payments of an economy is in surplus when\_

1. Autonomous receipts > Accommodating receipts
2. accommodating receipts > accommodating payments
3. total international receipts > total international payments
4. autonomous receipts > autonomous payments

Options 1. 1

2. 2
3. 3
4. 4

#### Q.45 Autonomous and Accommodating Transactions

International economic transactions are called autonomous when transactions are made due to some reason other than to bridge the gap in the balance of payments, that is, when they are independent of the state of BoP. One reason could be to earn profit. These items are called 'above the line items in the BoP. The balance of payments is said to be in surplus (deficit) if autonomous receipts are greater (less) than autonomous payments.

Accommodating transactions (termed 'below the line' items), on the other hand, are determined by the gap in the balance of payments, that is, whether there is a deficit or surplus in the balance of payments. In other words, they are determined by the net consequences of the autonomous transactions. Since the official reserve transactions are made to bridge the gap in the BoP, they are seen as the accommodating item in the BoP.

Which of the following is incorrect about accommodating transactions of the BoP?

1. They are termed 'below the line' items.
2. These are determined by the gap in the balance of payments.
3. They are independent of the state of BoP.
4. They are made to bridge the gap in the BoP.

Options 1. 1

2. 2
3. 3
4. 4

#### Q.46 DEMONETISATION

Demonetisation was a initiative taken by the Government of India in November 2016 to tackle the problem of corruption, black money, terrorism and circulation of fake currency in the economy. Old currency notes of Rs 500, and Rs 1000 were no longer legal tender. New currency notes in the denomination of Rs 500 and Rs 2000 were launched. The public were advised to deposit old currency notes in their bank account till 31 December 2016 without any declaration and upto 31 March 2017 with the RBI with declaration.

Further to avoid a complete breakdown and cash crunch, notes government had allowed exchange of Rs 4000 old currency the by new currency per person and per day. Further till 12 December 2016, old currency notes were acceptable as legal tender at petrol pumps, government hospitals and for payment of government dues, like taxes, power bills, etc.

This move has had positive impact also. It improved tax compliance as a large number of people were bought in the tax ambit.

The savings of an individual were channelised into the formal financial system. As a result, banks have more resources at their disposal which can be used to provide more loans at lower interest rates. It is a demonstration of State's decision to put a curb on black money, showing that tax evasion will no longer be tolerated. Tax evasion will result in financial penalty and social condemnation. Tax compliance will improve and corruption will decrease. Demonetisation could also help tax administration in another way, by shifting transactions out of the cash economy into the formal payment system. Households and firms have begun to shift from cash to electronic payment technologies.

What was the immediate impact of demonetization on the economy?

1. Increase in supply of money.
2. Increase in aggregate demand.
3. Increase in aggregate supply.
4. Decrease in aggregate demand.

Options 1. 1

2. 2
3. 3
4. 4

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What was the negative impact of demonetization?

1. Banks have more resources at their disposal which can be used to provide more loans at higher rate of interest.
2. The savings of an individual were channelised into the formal financial system.
3. Shifted transactions out of the cash economy into the formal payment system.
4. It improved tax compliance.

Options 1. 1

2. 2

3. 3

4. 4

**Q.48 DEMONETISATION**

Demonetisation was a initiative taken by the Government of India in November 2016 to tackle the problem of corruption, black money, terrorism and circulation of fake currency in the economy. Old currency notes of Rs 500, and Rs 1000 were no longer legal tender. New currency notes in the denomination of Rs 500 and Rs 2000 were launched. The public were advised to deposit old currency notes in their bank account till 31 December 2016 without any declaration and upto 31 March 2017 with the RBI with declaration.

Further to avoid a complete breakdown and cash crunch, notes government had allowed exchange of Rs 4000 old currency the by new currency per person and per day. Further till 12 December 2016, old currency notes were acceptable as legal tender at petrol pumps, government hospitals and for payment of government dues, like taxes, power bills, etc.

This move has had positive impact also. It improved tax compliance as a large number of people were bought in the tax ambit.

The savings of an individual were channelised into the formal financial system. As a result, banks have more resources at their disposal which can be used to provide more loans at lower interest rates. It is a demonstration of State's decision to put a curb on black money, showing that tax evasion will no longer be tolerated. Tax evasion will result in financial penalty and social condemnation. Tax compliance will improve and corruption will decrease. Demonetisation could also help tax administration in another way, by shifting transactions out of the cash economy into the formal payment system. Households and firms have begun to shift from cash to electronic payment technologies.

Which of the following is incorrect about the relaxations given by the government to reduce cash crunch immediately after demonetization?

1. Old currency notes were acceptable as legal tender at petrol pumps.
2. Old currency notes were acceptable as legal tender at government hospitals.
3. exchange of Rs 10000 old currency by the new currency per person and per day.
4. Old currency notes were acceptable as legal tender for payment of government dues, like taxes, power bills, etc.

Options 1. 1

2. 2

3. 3

4. 4

**Q.49 DEMONETISATION**

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and corruption will decrease. Demonetisation could also help tax administration in another way, by shifting transactions out of the cash economy into the formal payment system. Households and firms have begun to shift from cash to electronic payment technologies.

When was the most recent demonetization undertaken by the government of India?

1. November 2016
2. December 2016
3. March 2016
4. April 2017

Options 1. 1

2. 2
3. 3
4. 4

#### Q.50 DEMONETISATION

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Currency of which denomination were newly launched during demonetization?

1. Rs 500 and Rs 1000
2. Rs 500 and Rs 100
3. Rs 200 and Rs 1000
4. Rs 500 and Rs 2000

Options 1. 1

2. 2
3. 3
4. 4