

Section : Economics

Q.1 Arrange the following statements when autonomous investment increases..

- (A) The autonomous expenditure increases.
- (B) Aggregate demand and output have a multiplier effect.
- (C) Income and output increases.
- (D) The aggregate demand curve shifts parallel upward.

Choose the correct answer from the options given below:

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

Options 1. 1

2. 2

3. 3

4. 4

Q.2is the ratio of the total increment in equilibrium value of final goods output to the initial increment in autonomous expenditure of the economy.

- 1. Marginal Propensity to Consume.
- 2. Investment multiplier.
- 3. Consumption Multiplier.
- 4. Marginal Propensity to Save.

Options 1. 1

2. 2

3. 3

4. 4

Q.3 In the short run, the shape of marginal cost, average variable cost and short run average cost curves are:

- 1. Concave.
- 2. Downward-sloping.
- 3. U-shaped.
- 4. Convex.

Options 1. 1

2. 2

3. 3

4. 4

Q.4 The marginal product of an input initially rises and then after a certain level of employment, it starts falling, thus MP curve looks like an inverse 'U'-shaped curve. This condition is under.....

- 1. Decreasing Returns to Scale.
- 2. Law of Variable Proportions.
- 3. Increasing Returns to Scale.
- 4. Constant Returns to Scale.

Options 1. 1

2. 2

3. 3

4. 4

Q.5 Arrange the following statement when the market demand curve shifts rightward with the supply curve remaining unchanged.

- (A) The shift indicates that at any price the quantity demanded is more than before.
- (B) Some individuals will be willing to pay higher price and the price would tend to rise.
- (C) There is excess demand.
- (D) At the new equilibrium, quantity and price will be greater than before.

Choose the correct answer from the options given below:

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

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

Options 1. 1

2. 2
3. 3
4. 4

Q.6 Calculate the short run average cost when total cost is 95 with 9 units of output.

1. 9.55
2. 11
3. 10
4. 10.55

Options 1. 1

2. 2
3. 3
4. 4

Q.7 Arrange the following statements about the effect of an increase in taxes on total income and output.

- (A) An increase in taxes decreases disposable income.
(B) Aggregate demand schedule shifts downwards.
(C) Aggregate expenditure changes by a fraction of tax deduction.
(D) Equilibrium output decreases.

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

Options 1. 1

2. 2
3. 3
4. 4

Q.8 Arrange the following statement of government intervention in the form of price control.

- (A) The government sets floors or minimum prices for these goods and services.
(B) A fall in price below a particular level is not desirable.
(C) The price charged for a particular good or service is called the price floor.
(D) The government imposed a lower limit on the price.

Choose the correct answer from the options given below:

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

Options 1. 1

2. 2
3. 3
4. 4

Q.9level of income is that level of income where all the factors of production are fully employed in the production process.

1. Aggregate supply.
2. Aggregate demand.
3. Full employment.
4. Total income.

Options 1. 1

2. 2
3. 3
4. 4

Q.10 Public goods, as distinct from private goods, are collectively consumed. Two important features of public goods are:

1. Rivalrous and excludable.

2. Rivalrous and non-excludable.
3. Non-rivalrous and non-excludable.
4. Non-rivalrous and excludable.

Options 1. 1

2. 2
3. 3
4. 4

Q.11 Central Bank is a very important institution in a modern economy. Almost every country has one central bank. India got its central bank in

1. 1935
2. 1936
3. 1934
4. 1937

Options 1. 1

2. 2
3. 3
4. 4

Q.12 Which one is not the central problem of the economy?

1. What is produced and in how much quantities?
2. How are these goods produced?
3. Where are these goods produced?
4. For whom are these goods produced?

Options 1. 1

2. 2
3. 3
4. 4

Q.13 Which of the following statements are correct:

- (A). Consumer's preferences are monotonic 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.
- (B). The tendency for the MRS to fall with increase in quantity of goods is known as the Law of Diminishing Marginal Rate of Substitution.
- (C). A decrease in income causes a parallel outward shift of the budget line.
- (D). The budget set is the collection of all bundles that the consumer can buy with their income at the prevailing market prices.

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.14 In a perfectly competitive market, the marginal revenue curve is?

1. Downward sloping.
2. Horizontal.
3. Vertical.
4. Upward Sloping.

Options 1. 1

2. 2
3. 3
4. 4

Q.15 The equilibrium level of income depends on aggregate demand. Thus, if aggregate demand changes, the equilibrium level of income changes. This can happen in anyone or combination of the following situations:

- (A) Change in autonomous consumption.
(B) Change in marginal propensity to consume.

(C) Income.

(D) Change in autonomous investment.

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.16 Match List-I with List-II

List-I

List-II

(A) GVA at Market Prices

(I) GVA at basic prices – Net Production Taxes

(B) GVA at basic prices

(II) NNP_{mp} – Net Product Taxes – Net Production Taxes

(C) GVA at factor cost

(III) GDP at market prices

(D) National Income (NI)

(IV) GVA_{mp} – Net Product Taxes

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) – (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.17 The government imposes taxes that do not depend on income is called.

1. Lump-sum taxes.
2. Direct taxes.
3. Non-income taxes.
4. Indirect taxes.

Options 1. 1

2. 2

3. 3

4. 4

Q.18 Match List-I with List-II

List-I

List-II

(A) Short run Marginal Cost (SMC)

(I) $\Delta TC/\Delta q$

(B) Long run Average Cost (LRAC)

(II) TVC/q

(C) Average Variable Cost (AVC)

(III) TC/q

(D) Average fixed cost (AFC)

(IV) TFC/q

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) – (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 An increase in the price of socks is likely to decrease the demand for shoes and a decrease in the price of socks is likely to increase the demand for shoes. Socks and shoes are:

1. Giffen goods.
2. Substitutes goods.
3. Complementary goods.
4. Inferior goods.

Options 1. 1

2. 2
3. 3
4. 4

Q.20 The value that marginal rate of propensity can take in consumption function.

1. $0 < MPC < 1$
2. $0 < MPC > 1$
3. $0 > MPC < 1$
4. $0 > MPC > 1$

Options 1. 1

2. 2
3. 3
4. 4

Q.21 Average fixed cost curve is actually a..... curve:

1. Rectangular Hyperbola Curve.
2. L shape Curve.
3. 'U' Shaped Curve.
4. Downward Straight Line Curve.

Options 1. 1

2. 2
3. 3
4. 4

Q.22 The equilibrium level of output may be more or less than the full employment level of output. If it is less than the full employment of output, it is due to the fact that demand is not enough to employ all factors of production. This situation is called.....

1. Deficient supply.
2. Excess demand.
3. Deficient demand.
4. Deficient factors of production.

Options 1. 1

2. 2
3. 3
4. 4

Q.23 To obtain an estimate of borrowing on account of current expenditures exceeding revenues, we need to calculate what has been called the primary deficit. Gross primary deficit...

1. Total expenditure - Total Revenue.
2. Gross fiscal deficit - Net interest liabilities.
3. Net borrowing at home + Borrowing from RBI + Borrowing from abroad.
4. Total expenditure - (Revenue receipts + Non-debt creating capital receipts).

Options 1. 1

2. 2
3. 3
4. 4

Q.24 Let us consider a linear demand curve $q = a - bp$. On the same demand curve, arrange the elasticity in ascending order.

- (A) $|e_{\{D\}}| = 1$
- (B) $|e_{\{D\}}| < 1$
- (C) $|e_{\{0\}}| > 1$
- (D) $|e_{\{D\}}| = 0$

Choose the correct answer from the options given below:

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

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

Options 1. 1

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

Q.25 In macroeconomic theory, which is not justification for taking the price level as fixed.

- 1. Law of diminishing returns will not apply.
- 2. Assuming an economy with unused resources.
- 3. Additional output can be produced without increasing marginal cost.
- 4. When the quantity produced changes, price does vary.

Options 1. 1

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

Q.26 If the price of a commodity increases by 20%, its demand drops by 20%. Then how it will affect the expenditure?

- 1. Decline in expenditure.
- 2. Rise in expenditure.
- 3. No change in expenditure.
- 4. Small increase in expenditure.

Options 1. 1

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

Q.27 Which are the following statements are true:

- (A) Open Market Operations refers to buying and selling of bonds issued by the Government in the open market.
- (B) Currency notes and coins are called fiat money.
- (C) M2 and M4 are known as broad money.
- (D) M1 and M2 are known as narrow money.

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.28 For a price-taking firm, the market price is equal to marginal revenue and.....

- 1. Total Cost.
- 2. Marginal Cost.
- 3. Total Revenue.
- 4. Average Revenue.

Options 1. 1

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

Q.29 At the minimum point of the long run average cost curve..... is observed.

- 1. Decreasing Returns to Scale.
- 2. Constant Returns to Scale.
- 3. Law of Variable Proportions.
- 4. Increasing Returns to Scale.

Options 1. 1

2. 2
3. 3
4. 4

Q.30 Which of the following are correct:

- (A) Average Product of labor = Total Product of labor / Labor.
- (B) Average cost = average variable cost + average fixed cost.
- (C) Marginal Product of labor = Total Product of labor/Labor.
- (D) Average fixed cost = Fixed cost / Output.

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 An annual allowance for wear and tear of capital goods is defined as?

1. Expenditure.
2. Shortage.
3. Deduction.
4. Depreciation.

Options 1. 1

2. 2
3. 3
4. 4

Q.32 Consumers will not voluntarily pay for what they can get for free and for which there is no exclusive title to the property being enjoyed. These non-paying users are known as....?

1. Private goods.
2. Public goods.
3. Free-goods.
4. Free-riders.

Options 1. 1

2. 2
3. 3
4. 4

Q.33 If we want to have more of one of the goods, we will have less of the other good. Thus, there is always a cost of having a little more of one good in terms of the amount of the other good that has to be forgone. What is this cost known as?

1. Total Cost.
2. Opportunity Cost.
3. Marginal Cost.
4. Average Cost.

Options 1. 1

2. 2
3. 3
4. 4

Q.34 Which statements are true in terms of basic national income aggregates:

- (A) GNP at factor cost measures the value of output received by the factors of production belonging to a country in a year.
- (B) GDP is the market value of all intermediate goods and final goods and services produced within a domestic territory of a country measured in a year.
- (C) NDP at factor cost is the income earned by the factors in the form of wages, profits, rent, interest, etc., within the domestic territory of a country.
- (D) GDP at factor cost is gross domestic product at market prices, less net

product taxes.

Choose the correct answer from the options given below:

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

Options 1. 1

2. 2
3. 3
4. 4

Q.35 In a perfectly competitive market, a firm produces and sells a certain amount of goods. Among the following what reflect the firm's profit ?

1. Total Cost - Variable Cost.
2. Total Revenue - Total Cost.
3. Variable Cost- Marginal Cost.
4. Total Revenue Average Revenue.

Options 1. 1

2. 2
3. 3
4. 4

Q.36 In inverse 'U'-shaped average product curve, as long as the value of Marginal Product remains higher than the value of the average product, in this condition the average product continues to.....

1. Fall.
2. Rise.
3. Constant.
4. Zero.

Options 1. 1

2. 2
3. 3
4. 4

Q.37 When did the Government of India take a decision to demonetize the currency notes of Rs500 and Rs1000?

1. October 2016.
2. September 2016.
3. December 2016.
4. November 2016.

Options 1. 1

2. 2
3. 3
4. 4

Q.38 Match List-I with List-II

List-I

List-II

- | | |
|---------------------------|--------------------------------|
| (A) Final goods market | (I) $\bar{A} + cY$ |
| (B) Consumers demand | (II) $\Delta Y/\Delta \bar{A}$ |
| (C) Investment multiplier | (III) $\bar{C} + cY$ |
| (D) Linear equation | (IV) $a + bX$ |

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) - (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.39 Match List-I with List-II

- | List-I | List-II |
|------------------------|--|
| (A) Cash Reserve Ratio | (I) Reserves + Loans |
| (B) Net Worth | (II) Deposits |
| (C) Assets | (III) Percentage of deposits which a bank must keep as cash reserves with the central bank |
| (D) Liabilities | (IV) Assets – Liabilities |

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) – (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.40 Match List-I with List-II

- | List 1 | List 2 |
|---|--|
| (A) Consumer's income changes, but prices remain unchanged. The equation of the budget line. | (I) $p_1 x_1 + p_2 x_2 = M'$ |
| (B) Marginal Rate of Substitution (MRS) | (II) $p_1 x_1 + p_2 x_2 = M$ |
| (C) The price of a commodity changes, but income remains unchanged. The equation of the budget line | (III) $\Delta Y / \Delta X$
Delta = Change (Triangle) |
| (D) Total Utility | (IV) $MU_1 + MU_2 + \dots + MU_{n-1} + MU_n$ |

Options 1. 1

2. 2
3. 3
4. 4

Q.41 Read the passage carefully and answer the questions based on the passage:

Macroeconomic Variables

In an economy where two goods, wheat and cloth, are produced. A representative consumer buys 90 kg of wheat and 5 pieces of cloth in a year. Suppose in the year 2022 the price of a kg of wheat was Rs 10 and a piece of cloth was Rs 100. The prices of a kg of wheat and a piece of cloth went up to Rs 15 and Rs 120 respectively in the year 2025. It is worth noting that many commodities have two sets of prices. One is the retail price which the consumer actually pays. The other is the wholesale price, the price at which goods are traded in bulk. These two may differ in value because of the margin kept by traders.

What is Consumer Price Index?

1. 129.29 (approximately).
2. 149.29 (approximately).
3. 139.29 (approximately).
4. 159.29 (approximately).

Options 1. 1

2. 2
3. 3
4. 4

Q.42 Read the passage carefully and answer the questions based on the passage:

Macroeconomic Variables

In an economy where two goods, wheat and cloth, are produced. A

representative consumer buys 90 kg of wheat and 5 pieces of cloth in a year. Suppose in the year 2022 the price of a kg of wheat was Rs 10 and a piece of cloth was Rs 100. The prices of a kg of wheat and a piece of cloth went up to Rs 15 and Rs 120 respectively in the year 2025. It is worth noting that many commodities have two sets of prices. One is the retail price which the consumer actually pays. The other is the wholesale price, the price at which goods are traded in bulk. These two may differ in value because of the margin kept by traders.

The total sum consumer spends on cloth in 2022?

1. Rs 900
2. Rs 500
3. Rs 400
4. Rs 600

Options 1. 1

2. 2
3. 3
4. 4

Q.43 Read the passage carefully and answer the questions based on the passage:

Macroeconomic Variables

In an economy where two goods, wheat and cloth, are produced. A representative consumer buys 90 kg of wheat and 5 pieces of cloth in a year. Suppose in the year 2022 the price of a kg of wheat was Rs 10 and a piece of cloth was Rs 100. The prices of a kg of wheat and a piece of cloth went up to Rs 15 and Rs 120 respectively in the year 2025. It is worth noting that many commodities have two sets of prices. One is the retail price which the consumer actually pays. The other is the wholesale price, the price at which goods are traded in bulk. These two may differ in value because of the margin kept by traders.

The total sum that the consumer has to spend on wheat in 2022?

1. Rs 900
2. Rs 500
3. Rs 400
4. Rs 600

Options 1. 1

2. 2
3. 3
4. 4

Q.44 Read the passage carefully and answer the questions based on the passage:

Macroeconomic Variables

In an economy where two goods, wheat and cloth, are produced. A representative consumer buys 90 kg of wheat and 5 pieces of cloth in a year. Suppose in the year 2022 the price of a kg of wheat was Rs 10 and a piece of cloth was Rs 100. The prices of a kg of wheat and a piece of cloth went up to Rs 15 and Rs 120 respectively in the year 2025. It is worth noting that many commodities have two sets of prices. One is the retail price which the consumer actually pays. The other is the wholesale price, the price at which goods are traded in bulk. These two may differ in value because of the margin kept by traders.

The total sum consumer will spend on cloth in 2025?

1. Rs 900
2. Rs 1,400
3. Rs 600
4. Rs 1350

Options 1. 1

2. 2
3. 3
4. 4

Q.45 Read the passage carefully and answer the questions based on the passage:

Macroeconomic Variables

In an economy where two goods, wheat and cloth, are produced. A representative consumer buys 90 kg of wheat and 5 pieces of cloth in a

year. Suppose in the year 2022 the price of a kg of wheat was Rs 10 and a piece of cloth was Rs 100. The prices of a kg of wheat and a piece of cloth went up to Rs 15 and Rs 120 respectively in the year 2025. It is worth noting that many commodities have two sets of prices. One is the retail price which the consumer actually pays. The other is the wholesale price, the price at which goods are traded in bulk. These two may differ in value because of the margin kept by traders.

The total sum that the consumer has to spend on wheat in 2025?

1. Rs 1,350
2. Rs 1,400
3. Rs 500
4. Rs 900

Options 1. 1

2. 2
3. 3
4. 4

Q.46 Read the passage carefully and answer the questions based on the passage:

The Foreign Exchange Market

Let us assume that a single Indian resident wants to visit London on a vacation (an import of tourist services). She will have to pay in pounds for her stay there. She will need to know where to obtain the pounds and at what price, this price is known as the exchange rate. Foreign Exchange Rate (also called Forex Rate) is the price of one currency in terms of another. It links the currencies of different countries and enables comparison of international costs and prices. For example, if we have to pay Rs 50 for \$1 then the exchange rate is Rs 50 per dollar. The market in which national currencies are traded for one another is known as the foreign exchange market. The major participants in the foreign exchange market are commercial banks, foreign exchange brokers and other authorised dealers and monetary authorities. It is important to note that although participants themselves may have their own trading centres, the market itself is world-wide. There is a close and continuous contact between the trading centres and the participants dealing in more than one market.

If we have to pay Rs 150 for 3 pounds, then the exchange rate is Rs..... per pound.

1. Rs. 150
2. Rs. 100
3. Rs. 3
4. Rs. 50

Options 1. 1

2. 2
3. 3
4. 4

Q.47 Read the passage carefully and answer the questions based on the passage:

The Foreign Exchange Market

Let us assume that a single Indian resident wants to visit London on a vacation (an import of tourist services). She will have to pay in pounds for her stay there. She will need to know where to obtain the pounds and at what price, this price is known as the exchange rate. Foreign Exchange Rate (also called Forex Rate) is the price of one currency in terms of another. It links the currencies of different countries and enables comparison of international costs and prices. For example, if we have to pay Rs 50 for \$1 then the exchange rate is Rs 50 per dollar. The market in which national currencies are traded for one another is known as the foreign exchange market. The major participants in the foreign exchange market are commercial banks, foreign exchange brokers and other authorised dealers and monetary authorities. It is important to note that although participants themselves may have their own trading centres, the market itself is world-wide. There is a close and continuous contact between the trading centres and the participants dealing in more than one market.

Which among the following is not a direct participant in the foreign exchange market?

1. Resident dealers.

2. Foreign exchange dealers.
3. Monetary authorities.
4. Commercial banks.

Options 1. 1

2. 2
3. 3
4. 4

Q.48 Read the passage carefully and answer the questions based on the passage:

The Foreign Exchange Market

Let us assume that a single Indian resident wants to visit London on a vacation (an import of tourist services). She will have to pay in pounds for her stay there. She will need to know where to obtain the pounds and at what price, this price is known as the exchange rate. Foreign Exchange Rate (also called Forex Rate) is the price of one currency in terms of another. It links the currencies of different countries and enables comparison of international costs and prices. For example, if we have to pay Rs 50 for \$1 then the exchange rate is Rs 50 per dollar. The market in which national currencies are traded for one another is known as the foreign exchange market. The major participants in the foreign exchange market are commercial banks, foreign exchange brokers and other authorised dealers and monetary authorities. It is important to note that although participants themselves may have their own trading centres, the market itself is world-wide. There is a close and continuous contact between the trading centres and the participants dealing in more than one market.

.....links the currencies of different countries and enables comparison of international costs and prices.

1. Commercial banks.
2. Foreign Exchange Rate.
3. Foreign Exchange Market.
4. Monetary authorities.

Options 1. 1

2. 2
3. 3
4. 4

Q.49 Read the passage carefully and answer the questions based on the passage:

The Foreign Exchange Market

Let us assume that a single Indian resident wants to visit London on a vacation (an import of tourist services). She will have to pay in pounds for her stay there. She will need to know where to obtain the pounds and at what price, this price is known as the exchange rate. Foreign Exchange Rate (also called Forex Rate) is the price of one currency in terms of another. It links the currencies of different countries and enables comparison of international costs and prices. For example, if we have to pay Rs 50 for \$1 then the exchange rate is Rs 50 per dollar. The market in which national currencies are traded for one another is known as the foreign exchange market. The major participants in the foreign exchange market are commercial banks, foreign exchange brokers and other authorised dealers and monetary authorities. It is important to note that although participants themselves may have their own trading centres, the market itself is world-wide. There is a close and continuous contact between the trading centres and the participants dealing in more than one market.

.....in which national currencies are traded for one another.

1. Foreign exchange rate.
2. Foreign trade.
3. Trading centres.
4. Foreign exchange market.

Options 1. 1

2. 2
3. 3
4. 4

Q.50 Read the passage carefully and answer the questions based on the passage:

The Foreign Exchange Market

Let us assume that a single Indian resident wants to visit London on a vacation (an import of tourist services). She will have to pay in pounds for her stay there. She will need to know where to obtain the pounds and at what price, this price is known as the exchange rate. Foreign Exchange Rate (also called Forex Rate) is the price of one currency in terms of another. It links the currencies of different countries and enables comparison of international costs and prices. For example, if we have to pay Rs 50 for \$1 then the exchange rate is Rs 50 per dollar. The market in which national currencies are traded for one another is known as the foreign exchange market. The major participants in the foreign exchange market are commercial banks, foreign exchange brokers and other authorised dealers and monetary authorities. It is important to note that although participants themselves may have their own trading centres, the market itself is world-wide. There is a close and continuous contact between the trading centres and the participants dealing in more than one market.

If a British resident wants to visit India on a vacation he will have to pay in.....

1. Rupees for his stay.
2. Dollors for his stay.
3. Pounds for his stay.
4. Euros for his stay.

Options 1. 1

2. 2

3. 3

4. 4