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Q46

Which one of the following statements correctly describes the meaning of legal tender money? (a) The money which is tendered in courts of law to defray the fee of legal cases (b) The money which a creditor is under compulsion to accept in settlement of his claims (c) The bank money in the form of cheques, drafts, bills of exchange etc. (d) The metallic money in circulation in a country Official key: B.

UPSC Civil Services Prelims 2018 · General Studies · 2 marks · Economy

Indian economy, budget, schemes - Prelims GS Paper I.

Explanation

(a)

(a) Money tendered in courts to pay legal fees. That is a pun on 'legal', not the definition of legal tender. This is not the key.

(b) Official key

(b) The money which a creditor is under compulsion to accept in settlement of his claims. **(b) Official key:** Legal tender is currency that the law requires a creditor to accept in discharge of a money debt. **RBI notes** are unlimited legal tender; coins are limited by denomination. That is the stored key.

(c)

(c) Bank money such as **cheques** and drafts. Those are credit instruments, not legal tender; a creditor may refuse a cheque. This is not the key.

(d)

(d) Metallic money in circulation. Coins can be legal tender within limits, but legal tender is not defined as 'all metallic money'. This is not the key.

Summary

Official key is (b). Legal tender is money a creditor must accept in settlement of a claim. Court fees, **cheques** and 'metallic money' as such do not define it. Honour the stored letter (b).

Related possible facts

These can be asked in a future Prelims paper.

RBI notes

Unlimited legal tender in India

Coinage Act

Limits on coin legal tender by denomination

Section 26 RBI Act

Banknotes legal tender

Fiat money

Value from law, not metal content

Cheques

Not legal tender

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