SAMPLE QUESTION PAPER (2026-27)

ECONOMICS (030) CLASS 12

TIME: 3 HOURS **M.M. – 80**

GENERAL INSTRUCTIONS:

I. This question paper contains two sections:
Section A – Macroeconomics
Section B – Indian Economic Development

II. This paper contains 20 Multiple Choice Type Questions of 1 mark each.

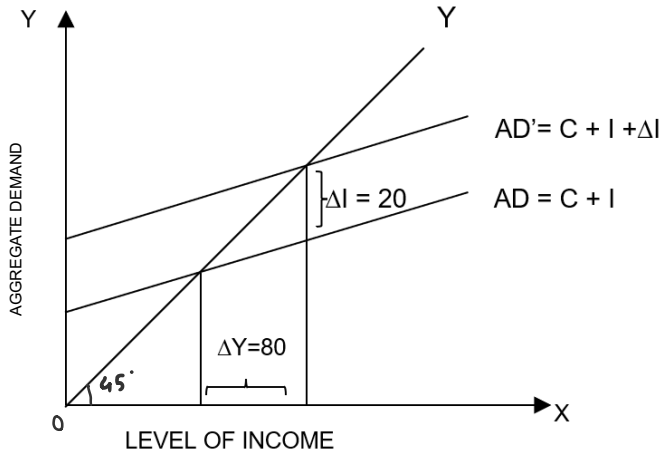
III. This paper contains 4 Short Answer Type Questions of 3 marks each to be answered in 60 to 80 words.

IV. This paper contains 6 Short Answer Type Questions of 4 marks each to be answered in 80 to 100 words.

V. This paper contains 4 Long Answer Type Questions of 6 marks each to be answered in 100 to 150 words.

S.NO.	SECTION A – MACROECONOMICS	MARKS
1	Identify, which of the following expenditure falls under the category of capital expenditure. (Choose the correct option) (i) Payment of salaries to central government employees. (ii) Construction of new national highways under Bharatmala Pariyojana. (iii) Interest payment by the government on past loans from World Bank. (iv) Expenditure on installation of the Kavach automatic train protection system. Options: (A) (i) and (ii) (B) (ii) and (iv) (C) (ii) and (iii) (D) (i) and (iv)	1
2	Read the following statements carefully: **Statement 1:** M1 measure of money supply constitutes currency and demand deposits held by the public. **Statement 2:** Demand deposits are those deposits with commercial banks, that can be withdrawn on demand by the depositors. In light of the given statements, choose the correct option from the following: (A) Statement 1 is true and Statement 2 is false. (B) Statement 1 is false and Statement 2 is true. (C) Both Statements 1 and 2 are true. (D) Both Statements 1 and 2 are false.	1
3	Ceteris paribus, a rise in the price of foreign currency sets off a chain of effects in the foreign exchange market of an economy. Identify, which of the following sequence explains this process. (i) National Income will rise (ii) Demand for foreign currency will fall (iii) Imported goods become costlier (Choose the correct option) Options: (A) (i), (ii), (iii) (B) (ii), (i), (iii) (C) (iii), (i), (ii) (D) (iii), (ii), (i)	1
4	Suppose, for a given year, the fiscal deficit of an economy is estimated at ₹5,000 crore. The total government expenditure is ₹18,000 crore, while non-tax revenue and capital receipts (excluding borrowings) together amount to ₹3,000 crore. (Choose the correct option to fill up the blank) The tax revenue of the government is ₹ _____ crore. Options: (A) 10,000 (B) 12,000 (C) 13,000 (D) 15,000	1

Note: There is no change in the Question Paper Design and Assessment Pattern for Academic Session 2026-27.

5	The Government of India in its Union Budget 2026-27 has decided to exempt fish caught by Indian fishing vessels operating in the Exclusive Economic Zone (EEZ) and on the High Seas from duty. Identify the objective behind the initiative taken by the Government of India as stated above. (Choose the correct option) (A) Allocation Function (B) Distribution Function (C) Stabilisation Function (D) Disposition Function	**1**
6	Refer to the given diagram carefully:  The slope of Consumption Curve would be _____. (Choose the correct option to fill up the blank) Options: (A) 1 (B) 0.8 (C) 0.25 (D) 0.75 **Note: The following question is for the candidates with visual impairment only, in lieu of Q.6.** For a hypothetical economy, a rise by ₹ 20 crore in investment leads to a rise by ₹ 80 crore in income. The slope of Consumption Curve would be _____. (Choose the correct option to fill up the blank) Options: (A) 1 (B) 0.8 (C) 0.25 (D) 0.75	**1** **1**
7	Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those given below: **Assertion (A)**: Goods such as cars, refrigerators etc. are non-durable in nature, regardless of whether they are used by households or firms. **Reason (R):** Consumer durable goods and capital goods have a common feature of durability, even though they may have different end users. Options: (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.	**1**
8	An Indian art gallery sells an antique Madhubani painting to a buyer in France for 4,000 euros. This transaction will be recorded on _____ side and _____ account of the Balance of Payments Account. (Choose the correct option to fill up the blank) (A) debit, current (B) credit, current (C) debit, capital (D) credit, capital	**1**

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9 Shraddha Kapur initially lived in a barter-based system where exchanging goods was difficult owing to practical problems. After the introduction of money, she could easily buy goods using currency and repay her loan in fixed instalments over time. This change made transactions easier and future payments reliable. **1**

The functions of money highlighted in the above text are _____ and _____. (Choose the correct option to fill up the blank)

(A) Store of value and medium of exchange
(B) Measure of value and standard of deferred payments
(C) Medium of exchange and standard of deferred payments
(D) Measure of value and store of value

10 The value of investment multiplier ranges between _____ and _____. **1**
(Choose the correct option to fill up the blank)

(A) 0,1 (B) -1, 1
(C) 1, infinity (D) 0, infinity

11 A Using the given estimates for a hypothetical economy, show that Gross Domestic Product at Market Price by Value-Added Method and Expenditure Method yields the same result. **3**

S. No.	Items	Amount (in ₹ crore)
(i)	Private Final Consumption Expenditure	500
(ii)	Value of Output	1900
(iii)	Government Final Consumption Expenditure	400
(iv)	Gross Domestic Capital Formation	600
(v)	Change in Stock	100
(vi)	Consumption of Fixed Capital	30
(vii)	Net Exports	70
(viii)	Intermediate Consumption	330

OR

11 B "Each factor of production contributes a distinct service in the production process and receives a specific reward in return."
In the light of the given statement, answer the following questions:
(I) List any two factors of production and their respective remuneration earned. **2**
(II) Define any one of the remuneration earned listed above. **1**

12 Refer to the given cartoon strip carefully: **3**



Analyse the impact of introduction of Goods and Service Tax in improving the efficiency of the taxation system and benefitting the overall economy.

Note: The following question is for the Visually Impaired Candidates only, in lieu of Q.12.

Differentiate between direct taxes and indirect taxes with the help of a suitable example. **3**

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13 A	Like individual consumers, businesses and organisation of all kinds, banks need their own mechanism to transfer funds and settle inter-bank transactions, such as borrowing from and lending to other banks and customer transactions. Source: https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/RWF15012018_FCD40172EE58946BAA647A765DC942BD5.PDF Identify and explain the function fulfilled by the Reserve Bank of India in the aforesaid statement.	**4**
	OR	
13 B	(I) Define Cash Reserve Ratio. (II) In the process of credit creation, the Cash Reserve Ratio (CRR) fixed by the Reserve Bank of India (RBI) plays a crucial role. On 6th June 2025, the RBI reduced the CRR by 100 basis points. Assuming the entire banking system functions as a single bank and all transactions are routed through banks, analyse the impact of this change on the total money creation in the banking system.	**1** **3**
14	In a hypothetical economy called BoPia, the equilibrium exchange rate is 72 Bopas per US dollar determined through market forces. Over time, BoPia has made substantial investments in human capital formation. As a result, the country now has an abundant supply of skilled labour, which has made it an attractive destination for Foreign Direct Investments (FDI). Hence, multinational companies across the world are investing huge amounts of capital in BoPia. (I) Assuming all other factors constant, explain the effect of increased FDI inflows on BoPia's Balance of Payments Account. (II) Suppose the competent authority does not intervene in the process of determination of exchange rate in BoPia. Identify the foreign exchange rate system prevailing in BoPia and mention one of its merits.	 **2** **2**
15	Assuming for a hypothetical simplified economy, Consumption function, C = 150 + 0.8 Y Autonomous Investment (I_o) = 250 Full employment level of income (Y_f) =1,600 (I) Determine the equilibrium level of income. (II) Outline whether the economy is facing the situation of excess demand or deficient demand and state its impact on the level of output, employment and general price level in the economy.	 **2** **2**
16	Refer to the given text carefully: India's economic ascent continues to capture global attention. Already the world's fourth largest economy, the nation is charting a confident course toward becoming the third largest economy by 2030, with Gross Domestic Product (GDP) projected at USD 7.3 trillion. The current growth phase reflects the strength of decisive policymaking, structural reforms, and India's deepening global integration. With growth accelerating, India has once again outpaced global peers, reinforcing its position as the fastest-growing major economy. This surge is supported by resilient domestic demand, moderating inflation and higher labour force participation. A revival in domestic investment and strong investor sentiment signals a stable and broad-based economy. As these reforms gather pace and consumption remains optimistic, India's economic outlook continues to upbeat, signalling sustained momentum and growth across sectors. Gross Domestic Product (GDP) is one of the primary indicators of overall economic performance which reflects the rate at which the country is expanding. As per the latest data, the GDP of India (adjusted for inflation) is estimated to grow by 8.2% in Q2 of FY 2025-26 against the growth rate of 5.6% during Q2 of FY 2024-25. Each sector of the economy is playing a pivotal role in the growth of the country.	

Note: There is no change in the Question Paper Design and Assessment Pattern for Academic Session 2026-27.

<table>
<tr><td></td><td>Source: https://www.pib.gov.in/PressReleasePage.aspx?PRID=2195990&reg=3&lang=1 (adapted and modified)
On the basis of the given text and common understanding, answer the following questions:
(I) Define Gross Domestic Product.
(II) “GDP of India, adjusted for inflation, is estimated to grow by 8.2% in Q2 of FY 2025.”
Elucidate whether the given projection represents Nominal GDP or Real GDP. Also, explain any one benefit of using this particular measure.
(III) Comment upon the strong global position of India’s economy stating the major reasons for its recent growth surge.</td><td>1
2

3</td></tr>
<tr><td>17 A</td><td>(I) State and explain the two components of Consumption Function.
(II) After assessing prevailing liquidity and financial conditions, the Reserve Bank of India (RBI) on December 23, 2025, announced that it would conduct Open Market Operations (OMO) purchase auctions of Government of India securities totalling ₹ 2,00,000 crore (USD 22.34 billion).
Briefly state the rationale behind the step taken by the Reserve Bank of India. Explain its implications on Aggregate Demand.
OR</td><td>3
3</td></tr>
<tr><td>17 B</td><td>(I) State whether the following statements are true or false, giving valid reasons in support of your answer:
(a) Average Propensity to Consume (APC) at break-even level of income is always equal to one.
(b) When ex-ante savings is more than ex-ante investments, it may lead to decumulation of inventories.
(II) The Aggregate Demand curve becomes distant from the Investment Curve with the increase in the level of income.
Defend or refute the given statement, giving valid reasons in support of your answer.</td><td>2
2
2</td></tr>
<tr><td colspan="3">SECTION B – INDIAN ECONOMIC DEVELOPMENT</td></tr>
<tr><td>18</td><td>Read the following statements carefully:
Statement 1: In the normal course of development, countries shift employment and output from agriculture to industry and then to services.
Statement 2: The service sector is the key driver of development for both India and Pakistan, with a direct shift from agriculture to service sector.
In light of the given statements, choose the correct option from the following:
(A) Statement 1 is true and Statement 2 is false.
(B) Statement 1 is false and Statement 2 is true.
(C) Both Statements 1 and 2 are true.
(D) Both Statements 1 and 2 are false.</td><td>1</td></tr>
<tr><td>19</td><td>Match the set of type of employment given in Column I with corresponding example given in Column II and choose the correct option:
<table>
<tr><th></th><th>Column I</th><th></th><th>Column II</th></tr>
<tr><td>(p)</td><td>Self-employed</td><td>i</td><td>An engineer working with ONGC</td></tr>
<tr><td>(q)</td><td>Regular salaried employees</td><td>ii</td><td>A construction worker</td></tr>
<tr><td>(r)</td><td>Casual wage labourers</td><td>iii</td><td>Photographer running own studio</td></tr>
</table>
Options:
(A) (p)-ii, (q)-i, (r)-iii (B) (p)-iii, (q)-ii, (r)-i
(C) (p)-i, (q)-iii, (r)-ii (D) (p)-iii, (q)-i, (r)-ii</td><td>1</td></tr>
<tr><td>20</td><td>Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those given below:
Assertion (A): The real motive behind the infrastructural development initiated by the British was to subserve the colonial interests.</td><td>1</td></tr>
</table>

Note: There is no change in the Question Paper Design and Assessment Pattern for Academic Session 2026-27.

	Reason (R): Commercialisation of Indian agriculture during the British rule helped to strengthen the self-sufficiency of the village economies in India. Options: (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.	
21	'Empirical evidence regarding the impact of human capital on economic growth is often described as nebulous.' Due to measurement problems, _____may not reflect the actual quality/status of education/health of the people in a country. (i) years of schooling (ii) teacher-pupil ratio (iii) life-expectancy (Choose the correct option to fill up the blank) Options: (A) (i) and (ii) (B) (i) and (iii) (C) (ii) and (iii) (D) (i), (ii) and (iii)	**1**
22	Refer the following image:  Identify the distinguished thinker, who is considered as the Architect of Indian planning. (Choose the correct option) Options: (A) Jawaharlal Nehru (B) Prasanta Chandra Mahalanobis (C) Amartya Sen (D) Dadabhai Naoroji **Note: The following question is for the candidates with visual impairment only, in lieu of Q.22.** _____ established the Indian Statistical Institute (ISI) in Calcutta. (Choose the correct option to fill up the blank) Options: (A) Jawaharlal Nehru (B) Prasanta Chandra Mahalanobis (C) Amartya Sen (D) Dadabhai Naoroji	**1** **1**
23	Arrange the following events in chronological order: (i) Introduction of economic reforms in Pakistan (ii) China's Great Proletarian Cultural Revolution (iii) Nationalisation of capital goods industries in Pakistan (iv) India's last Five-Year Plan Choose the correct option: (A) (ii) → (iii) → (i) → (iv) (B) (iii) → (ii) → (i) → (iv) (C) (ii) → (i) → (iii) → (iv) (D) (iii) → (i) → (ii) → (iv)	**1**
24	"In 1991, as an immediate measure to resolve the balance of payments crisis, the rupee was devalued against foreign currencies." Identify the liberalisation reform indicated in the aforesaid statement. (Choose the correct option) Options: (A) Industrial Sector (B) Tax (C) Foreign Exchange (D) Trade and Investment Policy	**1**

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25	Identify which of the following is not the function of National Bank for Agriculture and Rural development (NABARD). (Choose the correct option) (A) Serving as apex funding agency for institutions providing rural credit. (B) Monitoring, evaluating and coordinating rural financing activities. (C) Formulating and implementing monetary policy. (D) Coordinating rural credit policies with the government.	**1**
26	In India, land ceiling legislation faced hurdles primarily because _____. (Choose the correct option to fill up the blank) (i) the big landlords challenged the legislation in the courts (ii) of multiple loopholes in the legislation (iii) the landlords registered the land under relatives' names (iv) of the 'land to the tiller' policy of the government Option: (A) (i),(ii),(iii) and (iv) (B) (i),(ii) and (iii) (C) (i) and (iv) (D) (iv) only	**1**
27	Read the following statements carefully: **Statement 1:** French traveller Bernier observed that pre-British agriculture in Bengal was stagnant and unable to meet local needs. **Statement 2:** In the 17th century, Bengal was a prosperous exporter of cotton and silk textiles, as well as rice, sugar, and butter. In light of the given statements, choose the correct option from the following: (A) Statement 1 is true and Statement 2 is false. (B) Statement 1 is false and Statement 2 is true. (C) Both Statements 1 and 2 are true. (D) Both Statements 1 and 2 are false.	**1**
28	Refer to the following text: The Government of India, decided to reduce its role in Public Sector Undertakings (PSUs) to improve efficiency and reduce fiscal burden. As per the policy decision, government companies are converted into private companies in two ways. Answer the following questions in the light of given text and common understanding: (I) Identify the policy highlighted in the step initiated by the government. (II) Briefly explain the two ways in which government companies can be converted into private companies.	**1** **2**
29 A	Though livestock population in India is quite impressive but its productivity is quite low. Briefly explain any two initiatives that can be taken to enhance the livestock productivity.	**3**
	OR	
29 B	Mehak is employed in a private firm which has hired only five workers. She generally remains insecure that she can be terminated from her job, without any prior notice. In contrast, her elder sister Sehaj works as a nurse in a government hospital. On the basis of the given text and common understanding answer the following questions: (I) Identify the sectors in which Mehak and Sehaj are employed. (II) State any two differences between the identified sectors in which they are working.	**1** **2**
30	(I) Explain briefly the role of Karve Committee, 1955 in promoting rural development. (II) "Britain maintained a monopoly control over India's exports and imports." Justify the statement, giving valid reasons in support of your answer.	**2** **2**

Note: There is no change in the Question Paper Design and Assessment Pattern for Academic Session 2026-27.

31 "Government of India has played an important role in generating employment directly /indirectly."
Do you agree with the given statement? Give valid reasons in support of your answer. **4**

32 A Refer the following text carefully:
Keha and Mandeep graduated recently. Keha in order to improve her physical fitness, reduce stress and increase overall well-being, enrolls in yoga classes, while Mandeep, invests in internet data, online job portals and counselling services to explore suitable career opportunities.
Identify and explain the sources of human capital formation indicated in the above text. **4**

OR

32 B Avyaan's education enables him to take informed decisions related to his health, finances, and social responsibilities. On the other hand, Amyra has received technical training in machine operations to improve her skills and productivity with the aim of increasing output.
In the context of the distinction between human development and human capital formation, identify which case represents human development. Give valid reasons to justify your answer. **4**

33 A (I) Refer to the following data carefully:

Some Selected Indicators of Human Development, 2017-2019

Item	India	China	Pakistan
Maternal Mortality Rate (per 1 lakh births)	103	23	154
Gross National Income per Capita (PPP US$)	6,951	18,025	5,374
Mean years of Schooling (aged 15 and above) in %	6.6	8.1	4.4
People using at least basic drinking Water Source (% of population)	93	97	90

Answer the following questions on the basis of the given data and common understanding:
(a) List one key measure of both income and health indicators given in the above table. **1**
(b) On the basis of the given data, compare and critically examine any two human development indicators of India and China. **3**

(II) State the meaning of Special Economic Zones and its significance. **2**

OR

33 B (I) Refer to the given image carefully:



3

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	Describe the indicated policy introduced by China in the late 1970s and its consequences. (II) State any two challenges faced in the effective implementation of Great Leap Forward Campaign.	**3**
34	Refer to the following text carefully: India is adopting a multifaceted approach to mitigate global warming by diversifying its energy sources and enhancing access while also increasing the share of non-fossil fuels, improving energy efficiency, and promoting stability across its energy systems. India's energy transition is being pursued through a combination of initiatives across various sectors, including nuclear, solar, and wind energy, green hydrogen, battery storage, and critical minerals, which help to address both energy security and transition imperatives simultaneously. India has already surpassed the goal of 50 per cent installed power capacity from non-fossil fuel sources, which stood at 51.93% at the end of December 2025, supported by record annual additions of renewable energy capacity. The progress in expanding non-fossil fuel-based power capacity has been supported by a wide variety of initiatives to boost renewable energy systems. Additionally, new measures are being taken to support other clean sources of energy such as the National Nuclear Mission, the Green Hydrogen Mission, and the Bio Energy Programme. Source: https://www.pib.gov.in/PressReleasePage.aspx?PRID=2219915&utm_source=chatgpt.com&reg=3&lang=2 (adapted and modified) On the basis of the given text and common understanding, answer the following questions: (I) State the meaning of Global Warming. (II) India has already achieved more than 50% of its installed power capacity from non-fossil fuel sources. Identify any two major government initiatives that support this transition. (III) Elaborate any two strategies adopted by India to ensure sustainable development.	**1** **1** **4**

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ECONOMICS (030) CLASS 12

MARKING SCHEME (2026-27)

S.NO.	SECTION A – MACROECONOMICS	MARKS
1	(B) (ii) and (iv)	**1**
2	(C) Both Statements 1 and 2 are true.	**1**
3	(D) (iii), (ii), (i)	**1**
4	(A) 10,000	**1**
5	(A) Allocation Function	**1**
6	(D) 0.75 **Note: The following answer is for the candidates with visual impairment only, in lieu of Ans.6.** (D) 0.75	**1** **1**
7	(D) Assertion (A) is false, but Reason (R) is true.	**1**
8	(B) credit, current	**1**
9	(C) Medium of exchange and standard of deferred payments	**1**
10	(C) 1, infinity	**1**
11 A	Value-Added Method: Gross Domestic Product at Market Price = (ii) - (viii) = 1,900 – 330 = ₹ 1,570 crore Expenditure Method: Gross Domestic Product at Market Price = (i) + (iii) + (iv) + (vii) = 500 + 400 + 600 + 70 = ₹ 1,570 crore	 ½ ½ ½ ½ ½ ½
	OR	
11 B	(I) Two factors of production and their respective remunerations earned are: • Land - Rent • Capital - Interest (II) The remuneration earned by the Land can be defined as: Rent: Income earned by the owner of the land (natural resources).	 **½ + ½** **½ + ½** **1**
12	The introduction of Goods and Service Tax (GST) has simplified the tax structure by subsuming a variety of indirect taxes like VAT, excise duty, service tax etc. across the country. It has reduced the cost of business operations and cascading effect of various taxes on consumers. Moreover, with the implementation of GST the overall cost of production has reduced, making Indian products/services more competitive in the domestic and international markets. It has ensured higher transparency in the taxation system thereby enhancing the ease of doing business. **Note: The following question is for the candidates with visual impairment only, in lieu of Ans.12.** Direct taxes are those taxes whose impact and incidence lies on the same entity. For example: Income Tax. Whereas; Indirect taxes are those taxes whose impact and incidence may lie on different entities. For example: GST.	**3** **1** **½** **1** **½**
13 A	The highlighted function fulfilled by the Reserve Bank of India is Banker's Bank. Reserve Bank of India (RBI) accepts the deposits from commercial banks and also advances loans to them as and when required. It maintains reserves of all commercial banks and utilizes it to settle inter-bank claims. As the highest	**1** **3**

	authority in the banking system, it also supports banks during financial distress by acting as the lender of last resort and provides short-term credit to the commercial banks against approved securities.	
	OR	
13 B	(I) Cash Reserve Ratio refers to certain minimum percentage of net demand and time liabilities which banks are required to keep with the Central Bank in the form of cash.	**1**
	(II) The total amount of credit creation in an economy depends upon the amount of initial deposits and Cash Reserve Ratio (CRR). Keeping primary deposits constant, a decrease in the CRR by the Reserve Bank of India may lead to greater availability of funds with commercial banks. This may increase the lending capacity of commercial banks. Thus, increasing the total credit creation in the economy.	**3**
14	(I) Assuming all other factors remain unchanged, a rise in Foreign Direct Investment (FDI) inflows will increase the supply of foreign exchange (US dollars) in Bopia. The increased inflow of foreign exchange strengthens the overall Balance of Payments (BoP) position, may lead to a surplus in the BoP.	**2**
	(II) In the absence of any intervention by the competent authority (Central Bank/government), the flexible exchange rate system is prevailing in Bopia.	**1**
	Under flexible exchange rate system there is no need for the Central Bank/ government to maintain huge foreign exchange reserves.	**1**
15	Given, Consumption function, C = 150 + 0.8 Y Autonomous Investment (I_o) = 250 Full employment level of income (Y_f) =1,600	
	(I) At equilibrium level of income, Y = C + I	**1**
	Y = 150 + 0.8Y + 250	**½**
	0.2Y = 400	
	Y = 2,000	**½**
	(II) The economy is facing the problem of excess demand as equilibrium level of income (2,000) is greater than the given full employment level of income (1,600).	**1**
	The situation of Excess Demand will lead to an increase in General Price Level in the economy with no change in the level of output and employment.	**1**
16	(I) Gross Domestic Product (GDP) refers to the market value of final goods and services produced in the domestic territory of an economy during a given period of time.	**1**
	(II) Real Gross Domestic Product refers to the market value of final goods and services produced in the domestic territory of an economy during a given period of time, measured at constant prices, i.e., adjusted for inflation. Hence, the projection represents Real GDP.	**1**
	Real GDP is a better indicator of economic growth as it is affected by only physical output and it eliminates the effect of price change.	**1**
	(III) India holds a strong global position and is moving towards becoming the third largest economy by 2030. This strength is driven by decisive policymaking and structural reforms, resilient domestic demand, moderating inflation, higher labour force participation, revival of domestic investment, strong investor confidence and deeper global integration, leading to broad-based and sustained economic growth.	**3**
17 A	(I) Two components of Consumption Function are: • Autonomous Consumption: It refers to the minimum level of consumption that takes place even when income is zero.	**½ + 1** **½ + 1**

	• Induced Consumption: It refers to that part of consumption which varies directly with the level of income.	
	(II) The Reserve Bank of India (RBI) announced on December 23, 2025, that it would carry out Open Market Operations (OMO) purchase auctions of Government of India securities worth ₹2,00,000 crore to address the situation of deflation.	**1**
	By purchasing government securities in the open market, the RBI aims to infuse more liquidity, which increases the availability of funds with the commercial banks for lending. As a result, this may lead to increase in Aggregate Demand.	**2**
17 B	**OR**	
	(I) (a) True. At the break-even level of income, consumption is equal to income and savings are zero. Average Propensity to Consume (APC) is consumption per unit of income (APC = C/Y). Therefore, at the break-even level of income when C = Y, APC becomes 1.	**2**
	(b) False. When ex-ante savings exceeds ex-ante investments it means households are planning to consume less than what the firms expected them to consume. This will lead to unintended accumulation of inventories.	**2**
	(II) The given statement is defended. The vertical distance between the Aggregate Demand (AD) curve and the Investment curve is represented by consumption. With the increase in income as the investment remains constant, whereas, induced consumption increases. Thereby, Aggregate Demand curve becomes distant from the Investment Curve.	**2**
SECTION B – INDIAN ECONOMIC DEVELOPMENT		
18	(C) Both Statements 1 and 2 are true.	**1**
19	(D) (p)-iii, (q)-i, (r)-ii	**1**
20	(C) Assertion (A) is true, but Reason (R) is false.	**1**
21	(D) (i), (ii) and (iii)	**1**
22	(B) Prasanta Chandra Mahalanobis	**1**
	Answer to the question for the candidates with visual impairment only, in lieu of Ans.22.	
	(B) Prasanta Chandra Mahalanobis	**1**
23	(A) (ii) → (iii) → (i) → (iv)	**1**
24	(C) Foreign Exchange	**1**
25	(C) Formulating and implementing monetary policy.	**1**
26	(B) (i),(ii) and (iii)	**1**
27	(B) Statement 1 is false and Statement 2 is true	**1**
28	(I) The policy highlighted in the given text is Privatisation.	**1**
	(II) Government companies are converted into private companies in two ways:	
	• By withdrawal of the government from the ownership and management of the public sector companies.	**1**
	• By outright sale of public sector companies to the private sector.	**1**
29 A	Two initiatives that can enhance livestock productivity are quoted as follows:	
	• Encouraging improved animals breeds and use of modern technology to increase efficiency.	**1½**
	• Establishing veterinary clinics with improved facilities for better health of livestock.	**1½**
	OR	
29 B	(I) Mehak is employed in the informal sector whereas, Sehaj is working with the formal sector.	**½ + ½**
	(II) Two differences between formal and informal sector are:	**1**

	• Workers in the informal sector do not have any job-protection, whereas; the workers in the formal sector enjoy job-security. • Workers in informal sector generally do not have regular income, whereas; workers in the formal sector earn a regular income along with social security benefits.	**1**
30	(I) The Karve Committee (1955) played an important role in promoting rural development as it focussed on the development of village and small-scale industries. These industries are labour-intensive and therefore generate more employment. (II) Britain maintained a monopoly control over India's exports and imports as more than half of India's foreign trade was restricted to Britain only, while rest was allowed to only a few other nations. Furthermore, the opening of Suez Canal in 1869 further intensified British control over India's foreign trade.	**2** **2**
31	Government of India has played an important role in generating employment directly /indirectly in two ways: • Direct Employment: The government directly provides jobs by recruiting people in administrative departments, public sector industries and government run organisations. • Indirect Employment: When government enterprises increase production, related private sector businesses also expand, creating additional job opportunities in the private sector.	**2** **2**
32 A	Keha's enrolment in yoga classes highlights her emphasis on 'expenditure on health'. Maintaining good physical health improves efficiency, learning ability and long-term work performance. It not only improves potential well-being but also contribute to robust and efficient future labour force. In contrast, Mandeep's expenditure on internet data, online job portals and career counselling can be considered as an expenditure on information. By gaining knowledge and professional guidance, he improves his employability and overall productivity. This, in turn, enhances his earning potential and contributes to human capital formation. **OR**	**½ + 1 ½** **½ + 1 ½**
32 B	Avyaan's initiative closely reflects the concept of human development, which focuses on expanding an individual's choices and improving overall well-being rather than merely increasing income. His education enables him to make informed decisions about health and finances, thereby enhancing his quality of life. On the other hand, Amyra's technical training is aimed at upgrading her skills and efficiency to boost output. This represents human capital formation, as it is mainly directed towards economic benefits and increased productivity.	**4**
33 A	(I) (a) One key indicator of income is Gross National Income per Capita (PPP US$), while a significant health indicator is Maternal Mortality Rate (per 1 lakh births). (b) According to the given data: Maternal Mortality Rate is very high in India as compared to China. For every 1 lakh births 23 women lose their lives in China, whereas this figure stands at 103 for India. Access to basic drinking water is relatively fair in both the countries, China leads with 97% coverage, followed by India at 93% coverage. This shows that a significant progress has been made in providing basic amenities by these nations. (II) Special Economic Zone (SEZ) is a geographical region that has economic laws different from a country's typical economic laws. SEZs play crucial role in the economic strategies by promoting investment, fostering development and facilitating trade.	**½ + ½** **1½** **1½** **1** **1**

	OR	
33 B	(I) The given image depicts the consequence of one child norm that was introduced by China in late 1970s.This measure was adopted by the Chinese government to control population growth. This policy resulted in a decline in the sex ratio and created demographic imbalance. As a consequence, the elderly population of China is expected to surpass the younger population. (II) Two challenges faced in the effective implementation of Great Leap Forward Campaign were: • A severe drought caused havoc in China killing about 30 million people. • When Russia had conflicts with China, it withdrew its professionals who had earlier been sent to China to help in the industrialisation process.	**3** **1½** **1½**
34	(I) Global warming is a gradual increase in the average temperature of the earth's lower atmosphere as a result of the increase in greenhouse gases. (II) Two major government initiatives are: • National Nuclear Mission • Green Hydrogen Mission (III) Two strategies adopted by India to ensure sustainable development are: • Use of wind energy: In areas where speed of wind is usually high, windmills can be used to generate electricity without any adverse impact on the environment. Although the initial cost is high but the benefits are such that the high cost gets easily absorbed. • Use of solar energy: With the help of photovoltaic cells/solar panels, solar energy can be converted into electricity. This technology is extremely useful for remote areas and for places where supply of power through grid or power lines is either not possible or proves very costly. This technique is free from pollution.	**1** **½** **½** **2** **2**

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