Class XII Session 2026-27
Subject - Economics
Sample Question Paper - 2

Time Allowed: 3 hours **Maximum Marks: 80**

General Instructions:

1. This question paper contains two sections:
   Section A – Macro Economics
   Section B – Indian Economic Development
2. This paper contains 20 Multiple Choice Questions type questions of 1 mark each.
3. This paper contains 4 Short Answer Questions type questions of 3 marks each to be answered in 60 to 80 words.
4. This paper contains 6 Short Answer Questions type questions of 4 marks each to be answered in 80 to 100 words.
5. This paper contains 4 Long Answer Questions type questions of 6 marks each to be answered in 100 to 150 words.

SECTION A – MACRO ECONOMICS

1. Exchange rate for currencies is determined by supply and demand in system of: **[1]**



a) Flexible
b) Constant
c) Govt. regulated
d) Fixed exchange rate

2. Mr. Sahotra borrowed funds from bank for purchasing a new house. **[1]**
From the above statement, identify the indicated function of money:

a) Store of Value
b) Medium of exchange
c) Unit of account
d) Standard of deferred payments

3. Suppose for an economy, autonomous consumption stands as ₹ 100 crore and total consumption is ₹ 130 crores. The value of induced consumption would be ₹ _____ crore. **[1]**

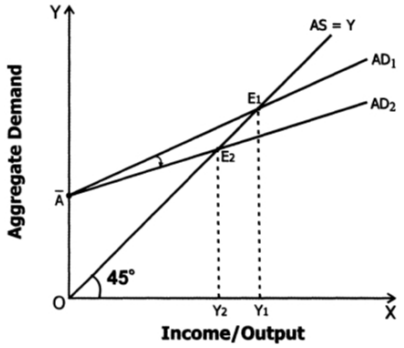
a) 30
b) 130
c) 80
d) 100

4. **Statement I:** External Borrowings, e.g External Commercial Borrowings, Short-term Debt, etc are included in the capital account of BOP. **[1]**

Statement II: Direct Investments, e.g. Foreign Direct Investments (FDIs), Equity Capital, Reinvested Earnings and other Direct Capital Flows are included in the current account of BOP.

a) Both the statements are false.
b) Statement I is true and statement II is false.
c) Statement II is true and statement I is false.
d) Both the statements are true.

5. What causes the Aggregate Demand Curve swing downwards from AD1 to AD2? **[1]**



a) Decrease in MPS
b) Increase in MPC
c) Decrease in MPC
d) Increase in MPS

6. In a flexible exchange rate regime, when the price of domestic currency (rupees) in terms of foreign currency (Dollars) decrease, it is called _____ of the domestic currency (rupees) in terms of foreign currency (dollars). **[1]**

a) Appreciation
b) Revaluation
c) Devaluation
d) Depreciation

7. **Statement 1:** Marginal Propensity to Consume (MPC) exhibits the consumption per unit of income. **[1]**
Statement 2: As the national income of a country rises, the proportionate increase in the consumption is always more than the increase in the income.

a) Statement 1 is false and Statement 2 is true.
b) Both Statements 1 and 2 are true.
c) Statement 1 is true and Statement 2 is false.
d) Both Statements 1 and 2 are false.

8. The effects of excess demand in an economy are: **[1]**

a) Increase in Output, Employment and Price Level
b) Increase in Output but no change in Employment and Price Level
c) Increase in Price Level but no change in Output and Employment
d) Decrease in Output, Employment and Price Level

9. **Assertion (A):** Money is defined as an instrument that serves as a medium of exchange, store of value, measure of value, and standard for deferred payments. **[1]**
Reason (R): Money has a wider definition than merely a medium of exchange.

a) Both A and R are true and R is the
b) Both A and R are true but R is not

correct explanation of A.

the correct explanation of A.

c) A is true but R is false.

d) A is false but R is true.

10. Which of the following is the cause of expected obsolescence? **[1]**

a) Change in demand and technology

b) Change in technology

c) Natural calamities

d) Change in demand

11. A country with trade deficit cannot have current account surplus in its Balance of Payments. Do you agree with the given statement? Discuss with reason. **[3]**

12. If nominal income is ₹ 600 and price index is 100, find real income. **[3]**

OR

Calculate GNP at FC.

Particulars	₹ in crores
(i) NDP at MP	80,000
(ii) Net Factor in come form abroad	-200
(iii) Depreciation	4,950
(iv) Subsidies	1,770
(v) Indirect Tax	10,600

13. Suppose for an economy, government proposes investment projects for construction of expressways with an incremental investment of ₹ 2400 crore. Assuming, 80% of increase in income is spent on consumption. **[4]**

Estimate the following on the basis of above information:

a. Change in income (ΔY).

b. Change in consumption (ΔC).

OR

An economy is in equilibrium. From the following data, calculate the value of Autonomous Consumption.

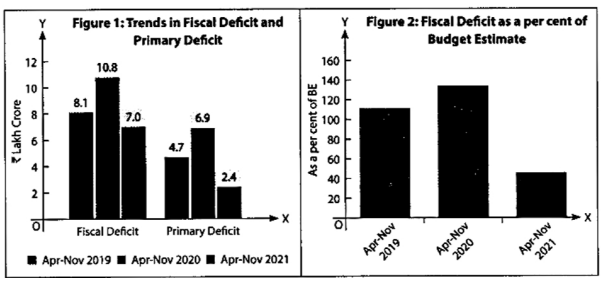
National Income = ₹ 5,000 crore

Marginal Propensity to Save (MPS) = 0.2

Investment Expenditure = ₹ 800 crore

14. In an economy ex-ante Aggregate Demand is less than ex-ante Aggregate Supply. Explain its impact on the level of output, income and employment. **[4]**

15. Compare the trends depicted in the figures given below: **[4]**



Source: CGA Monthly Accounts

16. **Answer question (A) or (B) the following:** **[6]**

i. **Answer the following questions:** **[3]**

i. On the basis of the data given below, estimate the value of Gross National Product at Factor Cost (GNP_{FC}):

S.No.	Items	Amount (in crore)
(i)	Wages and Salaries	2,000
(ii)	Rent and Interest	700
(iii)	Corporate Tax	500
(iv)	Undistributed Profit	300
(v)	Consumption of Fixed Capital	200
(vi)	Dividend	150
(vii)	Net factor income from abroad	(-) 50

ii. Giving reason, explain whether the following are included in domestic product of India.

i. Profits earned by a branch of foreign bank in India.

ii. Payment of salaries to its staff by an embassy located in New Delhi.

iii. Interest received by an Indian resident from its abroad firms.

ii. **Answer the following questions:** **[2]**

i. What are factor income?

ii. Giving valid reasons explain, which of the following will not be included in the estimation of National Income of India?

a. Purchase of shares of Sethi Ltd. by an investor in the Bombay Stock Exchange.

b. Salaries paid by Indian Embassy situated at Japan, to the local workers.

c. Depreciation on capital assets charged by firms.

17. Read the following text carefully. Answer the given questions on the basis of the same and common understanding: **[6]**

On 30th September 2022, the Reserve Bank of India (RBI) raised Repo Rate for the fourth time in a row. The Monetary Policy Committee (MPC) decided to raise the policy rate by 50 basis points. (1 basis point = $\frac{1}{100}^{th}$ of a percent). After this announcement, the new repo rate stands at 5.9%, while the reverse repo rate continues to stand at 3.35%.

Commercial banks borrow money from the Central Bank, when there is a shortage of funds. With the surge in the repo rate, borrowings by general public will become costlier. This is because, as RBI hikes its repo rate, it becomes costly for the banks to

borrow short term funds from the Central Bank.

As a result, the banks hike the rates at which customers borrow money from them to compensate for the hike in the repo rate. This happens because banks offer loans to retail consumers at an interest rate which is generally, directly proportional to the repo rate.

The increase of 0.50 percent in repo rate will lead to a higher interest rate on loans for borrowers, implying that the Equated Monthly Instalments (EMIs) for repaying the existing loans will also increase.

Source: https://www.businessstandard.com/article/economicpolicy/rbi-monetary policy-repo-rate-up-by- 50bps-here-s-how-it-will-impact-you-**122093000267** (Edited)

a. Define **Repo Rate**. (1)

b. Outline the recent change made by the Monetary Policy Committee of Reserve Bank of India in the repo rate. (2)

c. Increase in repo rate is an important tool used by Monetary Policy Committee to combat the situation of inflation in the Economy. Justify the given statement. (3)

SECTION B – INDIAN ECONOMIC DEVELOPMENT

18. India entered the _____ stage of Demographic Transition after the year 1921. **[1]**

a) first
b) third
c) second
d) fourth

19. China was able to control its rapid population growth rate owing to _____. **[1]**

a) Economic reforms
b) One-Child Policy
c) Great Proletarian Cultural Revolution
d) Special Economic Zones

20. In 1951, agricultural contribution to India's National Income was _____. **[1]**

a) Lower than the industrial sector
b) Highest among the three sectors
c) Lower than the service sector
d) Lowest among the three sectors

21. **Assertion (A):** Domestic competition has increased since 1991. **[1]**
Reason (R): Except for 7 industries, rest has de-licensed.

a) Both A and R are true and R is the correct explanation of A.
b) Both A and R are true but R is not the correct explanation of A.
c) A is true but R is false.
d) A is false but R is true.

22. It controls and guides higher education _____. **[1]**

a) ICMR
b) UGC
c) IGNOU
d) NCERT

23. Which scheme provides adequate and timely support from the banking system to the farmers for their cultivation needs in a flexible manner **[1]**



a) KCC b) KMM

c) KMC d) KBC

24. Reforms in _____ were introduced in 1988. **[1]**

a) China b) Pakistan

c) India d) USA

25. Match the objective of five year plans **[1]**

a.Fifth five year plan	i)NABARD
b.Sixth five year plan	ii)Harrod Domar model
c.First five year plan	iii)Eliminate poverty

a) a (i), b (ii), c (iii) b) a (iii), b (i), c (ii)

c) a (ii), b (iii), c (i) d) a (iii), b(ii), c (i)

26. The CPCB has identified ____ categories of industries which are significant polluters. **[1]**

a) 13 b) 15

c) 12 d) 17

27. Which of the given statements are correct with regard to commercialisation of agriculture? **[1]**

a. Production for self-consumption
b. Production of cash crops instead of food crops
c. Production of crops for sale in the market
d. Commercialisation improved the economic status of the farmers

a) (ii) and (iii) b) (iii) and (iv)

c) (ii) and (iv) d) (i) and (iv)

28. **Excess demand creates greater opportunities of employment in the economy.** **[3]**
Defend or refute the given statement with valid explanation.

29. Maintaining Air Quality Index (AQI) is the need of the hour. **[3]**
Do you agree with the given statement? Justify your answer with a valid argument.

OR

State any two advantages of **sustainable development**.

30. Explain how, Goods and Services Tax (GST) has simplified the multiplicity of taxes on goods and services. **[4]**

OR

Agriculture sector appears to be adversely affected by the economic reform process. Explain the given statement.

31. Discuss briefly the rationale behind the **License Raj** under the Industrial Policy Resolution, 1956. **[4]**

32. **[4]**



Given an image of a forest with villagers hugging trees.

i. Identify the movement shown.

ii. State one aim and one result of this movement concerning resource conservation.

33. **Answer question (A) or (B) the following:** **[6]**

i. **Answer the following questions:** **[3]**

i. Why do farmers borrow?

ii. Why is it being considered necessary to replace the private moneylenders by institutional sources of credit?

ii. **Answer the following questions:** **[3]**

i. Define agricultural diversification.

ii. i. Distinguish between human capital and physical capital.

ii. Describe 'LPG' and 'Gobar Gas' as strategies used to achieve sustainable development in rural areas.

34. On the basis of the given data: **[6]**

Some Selected Indicators of Human Development, 2017-2019

Item	India	China	Pakistan
Human Development Index (Value)	0.645	0.761	0.557
Rank (based on HDI)	130	87	154
Life Expectancy at Birth (years)	69.7	76.9	67.3
Mean years of Schooling (% aged 15 and above)	6.5	8.1	5.2
Gross National Income per capita (PPP US$)	6.681	16.057	5.005
Percentage of People living Below Poverty Line (National)	21.9*	1.7**	24.3*
Infant Mortality Rate (per 1000 live births)	29.9	7.4	57.2
Maternal Mortality Rate (per 1 lakh births)	133	29	140
Population using at least basic Sanitation (%)	60	75	60

Population using at least basic drinking Water Source (%)	93	96	91
Percentage of Undernourished Children	37.9	8.1	37.6

Note: * for the year 2011 : for the years 2015.

Sources: Human Development Report 2019 and 2020.

i. Identify one income indicator and one health indicator, each. (3)

ii. Compare India and China on the basis of any one of the indicator identified above in part (i). (3)

Solution

SECTION A – MACRO ECONOMICS

1. **(a)** Flexible
   Explanation:
   Flexible

2. **(d)** Standard of deferred payments
   Explanation:
   Standard of deferred payments

3. **(a)** 30
   Explanation:
   30

4. **(b)** Statement I is true and statement II is false.
   Explanation:
   Statement I is true and statement II is false.

5. **(c)** Decrease in MPC
   Explanation:
   Decrease in MPC

6. **(a)** Appreciation
   Explanation:
   Appreciation

7. **(d)** Both Statements 1 and 2 are false.
   Explanation:
   Both Statements 1 and 2 are false.

8. **(c)** Increase in Price Level but no change in Output and Employment
   Explanation:
   Increase in Price Level but no change in Output and Employment

9. **(a)** Both A and R are true and R is the correct explanation of A.
   Explanation:
   Money is defined as an instrument that serves as a medium of exchange, store of value, measure of value, and standard for deferred payments. Thus, Money has a wider definition than merely a medium of exchange.

10. **(a)** Change in demand and technology
    Explanation:
    Expected obsolescence refers to a fall in the value of fixed assets due to a change in technology or change in demand. it is managed through a depreciation reserve fund.
11. No, the trade deficit occurs when the value of goods/visible imported is more than the value of goods/ visible exported.
    Trade deficit = Value of imports(Vm) < Value of exports (Vx)
    Trade Surplus in this situation will arise when the deficit on trade account is less than the surplus on account of invisible.
    Current Account Surplus (CAS) refers to an excess of receipts for the value of import of visible items, invisible items and unilateral transfers over the payments from the value of export of visible items, invisible items and unilateral transfers.
12. Real income = $\frac{\text{Nominal income}}{\text{price index}} \times 100 = \frac{600}{100} \times 100 = 600$

    OR

    GNP_{FC} = 80,000 + 4,950 + (-200) - (10,600 - 1,770)

    GNP_{FC} = 84950 - 200 - 8,830

    GNP_{FC} = 75,920
13. Given, Change in Investment $(\Delta I) = ₹2,400$ crore
    Marginal Propensity to Consume $(MPC) = 0.8$
    a. As we know,
    Investment Multiplier $(K) = \frac{1}{1-MPC}$
    $= \frac{1}{1-0.8}$
    $= 5$
    Change in Income $(\Delta Y) = K \times$ Change in Investment (ΔI)
    $= 5 \times 2400$
    Change in Income $(\Delta Y) = ₹12,000$ crore
    b. Marginal Propensity to Consume $(MPC) = \frac{\text{Change in Consumption } (\Delta C)}{\text{Change in Income } (\Delta Y)}$
    $0.8 = \frac{\text{Change in Consumption } (\Delta C)}{12,000}$
    Change in Consumption $(\Delta C) = ₹9,600$ crore

    OR

    Calculation of Autonomous Consumption:
    It is given that
    1. Marginal Propensity to Save (MPS) = 0.2
    2. Investment Expenditure = 800
    3. Income (Y) = 5,000

    We know that,
    MPS + MPC = 1,
    On substituting MPS = 0.2, we get
    MPC or b = 1 -0.2 = 0.8
    Since an economy is the equilibrium situation,
    Savings = Investment.
    Savings = 800
    Now, Income = Consumption + Savings
    5,000 =$\overline{C}$ + b 5,000 + 800,
    where
    $\overline{C}$ = Autonomous consumption and

b = MPC

5,000 - 800= $\overline{C}$ + 0.8 × 5,000

4,200= $\overline{C}$ + 4,000

$\overline{C}$ = 4,200 - 4,000 = 200

∴ **Autonomous Consumption in the economy = ₹ 200**

14. When ex-ante Aggregate Demand is less than ex-ante Aggregate Supply, it means that households are planning to consume less than what the firms expect them to. This will lead to unintended rise in inventories. To restore the desired/intended level of inventories, producers may reduce production. As a result, there may be a decrease in the level of output, employment and income in the economy.
15. Considering the data represented in the given diagram, trend of year-on-year deficit (reporting for April to November) may be stated as follows:
    i. Fiscal Deficit in 2020 increased to ₹10.8 lakh crore from ₹8.1 lakh crore in 2019. In 2021, it has gone down to ₹7 lakh crore
    ii. Primary Deficit in 2020 increased to ₹6.9 lakh crore from ₹4.7 lakh crore in 2019. In 2021, it has gone down to ₹2.4 lakh crore.
    iii. Fiscal Deficit in 2020 increased to 135.1% of Budget Expenditure from 114.8% in 2019. ln year 2021, it is 46.2% of Budget Expenditure.
16. Answer question (A) or (B) the following:
    (a) Answer the following questions:
        i. Gross National Product at Factor Cost (GNPFC)
        = (i) + (ii) + (iii) + (iv) + (vi) + (v) + (vii)
        = 2,000 + 700 + 500 + 300 + 150 + 200 + (-50)
        = ₹ 3800 crore
        ii. i. As the profits are earned in the domestic territory of India, the profits earned by a branch of the foreign bank in India will be 'included' in domestic income of India.
        ii. Payment of salaries to its staff by an embassy located in New Delhi will 'not be included' in the domestic income of India, as it is not a part of the domestic territory of India.
        iii. As interest received by an Indian resident from its abroad firms is factor income from abroad, it will 'not be included' in domestic income of India.

    (b) Answer the following questions:
        i. Factor income is the income received by owners of the factors of production in the forms of rent, wages, interest and profit for the services rendered in the production process.
        ii. a. Purchase or sale of financial assets like shares is not included while calculating national income. As such transactions are mere paper claims and do not lead to any value edition.
        b. It will be included in the domestic income as Indian embassy is a part of domestic territory of India. However it will not be included in the national income as it is a part of factor income paid abroad. It is subtracted from domestic income to get national income.
        c. It is not taken into consideration while calculating national income because it is not a financial expense that a producer has to bear.
17. a. Repo rate refers to the rate at which the Central Bank lends to the commercial banks for their short-term requirements.
    b. The Monetary Policy Committee of Reserve Bank of India raised the repo rate by 50 basis points.
    c. To deal with the situation of inflation, the Monetary Policy Committee (MPC) of Reserve Bank of India has increased the repo rate.
    An increase in repo rate will force the commercial banks to increase their lending rates

making the credit costlier for the general public. Thereby, discouraging the borrowings. Consequently, Aggregate Demand will fall and thereby correcting the problem of inflation in the economy.

SECTION B – INDIAN ECONOMIC DEVELOPMENT

18.

(c) second
Explanation:
second

19.

(b) One-Child Policy
Explanation:
One-Child Policy

20.

(b) Highest among the three sectors
Explanation:
In 1951, agricultural contribution to India's National Income was Highest among the three sectors.

21. **(a)** Both A and R are true and R is the correct explanation of A.
Explanation:
The launch of LPG policies has caused a significant shift in the structure of the Indian markets. Indian markets are now increasingly shedding its monopolistic character, and becoming more and more competitive in nature.

22.

(b) UGC
Explanation:
University Grants Commission was established in November 1956 by the Government of India through an act of Parliament for the coordination, determination and maintenance of standards of university education in India.

23. **(a)** KCC
Explanation:
KCC stands for Kisan Credit Card scheme in which this card is issued to the farmers who otherwise eligible for short term credit.

24.

(b) Pakistan
Explanation:
Pakistan

25.

(b) a (iii), b (i), c (ii)
Explanation:
Eliminate poverty was one of the objectives of fifth five year plan, NABARD was introduced in sixth five year plan, Harrod Domar model was used in first five year plan.

26.

(d) 17
Explanation:

(Central PollutionControl Board) has identified seventeen categories of industries (large and medium scale) as significantly polluting.

27. **(a)** (ii) and (iii)
Explanation:
(ii) and (iii)

28. No, I do not agree with the given statement. Excess demand refers to the situation when aggregate demand is more than the aggregate supply corresponding to full employment level of output in the economy. So, there will be no opportunity for employment in the economy as the economy is already operating at full employment equilibrium and there is no involuntary unemployment.

29. AQI is the air quality index. The index value indicates the current pollution status in the city, or how polluted the air currently is. An AQI value of 50 or below is classified as good air quality. Once the AQI Index reaches 100 or above is when the air quality is considered unhealthy and may impact certain groups of people. It is important to maintain the air quality index because air pollution in India is causing 670000 deaths annually and particularly aggravates respiratory and cardiovascular conditions including chronic bronchitis, lung cancer, and asthma.

OR

Sustainable development is the process of growth that fulfills the needs of the present generation without challenging the ability of future generations to fulfill their needs. Its advantages are:

a. It protects natural resources by recycling waste materials like paper or plastic instead of disposing them in landfills.
b. It ensures a better life for present and future generations.

30. Goods and Service Tax (GST) is the single comprehensive indirect tax. Under GST, tax is imposed on the basis of value addition at each stage of the movement of goods and services. It has replaced large number of indirect taxes levied on production/sale of goods or provision of service.
Thus, GST ensures uniformity, reduces tax burden, prevents cascading effects, and enhances ease of doing business across the country.

OR

The statement suggests that the process of economic reform has had a negative impact on the agriculture sector. This could be due to various reasons. Economic reforms, such as liberalization and globalization, often prioritize industrial and service sectors, leading to reduced government support and investment in agriculture. This can result in limited access to credit, inadequate infrastructure, and a lack of modern technology and resources for farmers. As a result, the agriculture sector may face challenges in terms of productivity, competitiveness, and income generation, thus adversely affecting its overall performance.

31. The 'License Raj' implemented under the Industrial Policy Resolution, 1956 in India aimed to regulate and control industrial development. It required businesses to obtain licenses from the government for starting new industries or expanding existing ones. The rationale behind this policy was to exercise strict control over private enterprise, allocate resources, prevent monopolies, and ensure planned development in key sectors of the economy. However, over time, it led to excessive bureaucracy, corruption, and stifled economic growth.

32. i. The image shows the Chipko Movement, where villagers hug trees to prevent deforestation.
ii. Aim: To conserve forests and protect them from commercial exploitation.
Result: Raised awareness for environmental conservation and led to government policy changes on forest protection.

33. Answer question (A) or (B) the following:
(a) Answer the following questions:
i. Borrowings of a farmer can be for the following purposes

i. **Productive Borrowings** These borrowings include loans to buy seeds, fertilisers, cattle, agricultural implements, additional land and to make permanent improvements on land such as digging and deepening of wells, fencing of land etc.

ii. **Unproductive Borrowings** These borrowings include loans for social purposes such as marriage, festive occasions, for litigation, or to meet expenditure on illness, birth and death, etc.

ii. It has been considered necessary to replace the private moneylenders by institutional sources of credit because:

i. The supply of credit was irregular and depended largely on personal relations between the borrower and the lender.

ii. Since the borrower was generally illiterate, the moneylender often resorted to downright cheating such as failure to record the repayments in full.

iii. The moneylenders often took advantage of the ignorance and helplessness of the cultivator to exploit him.

iv. The landless tenants and farm workers, who had no land to offer as security, found it difficult to borrow. The loans were available on very difficult terms, and the borrowers were often burdened with permanent debt.

(b) Answer the following questions:

i. Agricultural diversification relates to change in cropping pattern or shift of workforce from agriculture to other allied activities.

ii. i. Human capital refers to the stock of knowledge, skill and ability imbibed in the owner of the same, i.e., human capital is inseparable from its owner. It cannot be sold in the market, only its services can be sold in the market.

Whereas;

Physical capital are the assets (plant and machinery, building etc.), which are tangible in nature. It is separable from its owner. It can be transacted in the market.

ii. Liquified Petroleum Gas (LPG) is a clean fuel that reduces household fuel pollution to a large extent and minimises energy wastage. For the gobar gas plant to function, cattle dung is fed to the plant and gas is produced which is used as fuel while the slurry which is left over is a very good organic manure and soil conditioner.

34. i. Income indicator - Gross National Income per Capita (PPP US$)
Health indicator - Maternal Mortality Rate (per 1 lakh births)

ii. Maternal Mortality Rate is very high in India as compared to China. For every 1 lakh births 29 women lose their lives in China, whereas this figure stands at 133 for India.