Class XII Session 2026-27
Subject - Economics
Sample Question Paper - 8

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. In the Keynesian economic analysis, determination of equilibrium income in the short-run is usually expressed as _____. **[1]**

   i. Ex-ante Aggregate Demand = Ex-ante Aggregate Supply
   ii. Consumption (C) + Investment (I) = Savings
   iii. Consumption (C) + Investment (I) = National Income
   iv. Ex-ante Savings = Ex-ante Investments

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

2. Which of the following statements is incorrect? **[1]**

   a. Gross Domestic Product (GDP) at Market Price = GDP at Factor Cost + Net Indirect Taxes
   b. Net National Product (NNP) at Market Price = NNP at Factor Cost
   c. Gross National Product (GNP) at Market Price = GDP at Market Price + Net Factor Income from Abroad
   d. Net National Product (NNP) at Factor cost = National Income

   a) Statement (a) is correct. b) Statement (c) is correct.
   c) Statement (b) is correct. d) Statement (d) is correct.

3. 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

4. **Statement 1:** Import of heavy machinery from Japan is a source of demand for foreign exchange. **[1]**

Statement 2: Financial aid by International Bank for Reconstruction and Development (IBRD) for landslide in Wayanad (Kerala) is a source of supply of foreign exchange.

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

5. In a two sector economy, firms depend on the households for supply of: **[1]**

a) Money
b) Goods and Services
c) Both Goods and Services and Factor Inputs
d) Factor Inputs

6. In a two sector economy, AD is equal to **[1]**

a) C + I
b) C + G
c) G + (X - M)
d) C + S

7. Read the following statements carefully: **[1]**

Statement 1: Gross Domestic Product (GDP) is the sum total of the gross market value of all the final goods and services added by all the sectors in the economy during a fiscal year.

Statement 2: Gross Value Added at Market Price (GVA_{MP}) is equal to the excess of value of output over intermediate consumption.

In the light of the given statements, choose the correct alternative from the following:

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

8. Identify the **incorrect** feature(s) of money supply (M_1) from the following: **[1]**

i. It is measured at a point of time.
ii. It does not include stock of money held by the government.
iii. It is always the currency in the hands of the Central Bank of a nation.

a) (iii) only
b) (ii) only
c) (ii) and (iii)
d) (i) and (ii)

9. **Assertion (A):** If the receipts and payments on the current account are equal to each other, it depicts a situation of current account surplus. **[1]**

Reason (R): A surplus current account means that the nation is a lender to other countries and a deficit current account means that the nation is a borrower from other countries.

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.

10. Calculate the money multiplier if LRR is 5%. **[1]**

a) 10

b) 20

c) 1

d) 5

11. Management of a water polluting oil refinery says that the it (oil refinery) ensures welfare through its contribution to Gross Domestic Product. **[3]**

Defend or refute the argument of management with respect to GDP as a welfare measure of the economy.

12. Is credit card a form of money? **[3]**

OR

Explain the bankers' bank function of the Central Bank.

13. Giving valid reasons, explain how the following would be treated while estimating domestic income? **[4]**

i. Payment made by a Japanese tourist for goods purchased in India.

ii. Broker's commission on the sale of second hand goods.

OR

Calculate 'Net Domestic Product at Factor Cost'.

S.no.	**Contents**	**(Rs. in Crores)**
(i)	Net Current Transfers to Abroad	15
(ii)	Private Final Consumption Expenditure	800
(iii)	Net Imports	(-) 20
(iv)	Net Domestic Capital Formation	100
(v)	Net Factor Income to Abroad	10
(vi)	Depreciation	50
(vii)	Change in Stocks	17
(viii)	Net Indirect Tax	120
(ix)	Government Final Consumption Expenditure	200
(x)	Exports	30

14. What happens if AD > AS prior to the full empoyment level of output? **[4]**

OR

Calculate Marginal Propensity to Consume from the following data about an economy which is in equilibrium:

National Income = Rs 1,500

Autonomous consumption expenditure = Rs 300

Investment Expenditure = Rs 300

15. Using a suitable numerical example, explain the credit creation process of the banking system, in a hypothetical economy. **[4]**

16. **Answer the following questions:** **[6]**

    i. In an economy the autonomous investment is ₹ 60 crore and the marginal propensity to consume is 0.8. If the equilibrium level of income is ₹ 400 crore, then the autonomous consumption is ₹ 30 crore. True or False? Justify your answer. **[3]**

    ii. Define frictional and structural unemployment. **[3]**

17. Explain the role the government can play through the budget in influencing allocation of resources. **[6]**

SECTION B – INDIAN ECONOMIC DEVELOPMENT

18. Which of the following countries initiated its process of Economic Reforms in the year 1991? **[1]**

    a) China
    b) Pakistan
    c) India
    d) Russia

19. After independence, India envisaged an economic system which combines the best feature of socialism and capitalism - this culminated in the _____ model. **[1]**

    a) Mixed economy
    b) Capitalist society
    c) Socialist society
    d) Command economy

20. According to India Vision report 2020, _____ percent literate India is paramount importance to realise the vision for the country in 2020. **[1]**

    a) 100
    b) 80
    c) 60
    d) 75

21. **Assertion (A):** Due to a lack of warehousing facilities, there is a loss of revenue to the farmers. **[1]**

    Reason (R): In case of the absence of warehousing, the farmers are compelled to sell their produce immediately after harvesting it.

    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. Which of the following is not an employment generation programme? **[1]**

    a) Rural Employment Generation Programme (REGP)
    b) Valmiki Ambedkar Awas Yojana
    c) National Food for Work Programme (NFWP)
    d) Prime Minister's Rozgar Yojana (PMRY)

23. Workers who are on the permanent pay-roll of their employer are called: **[1]**

a) Hired workers
b) Self-employed workers
c) Casual workers
d) Regular workers

24. Which of the following movement is associated with preventing cutting of trees? **[1]**

a) None of the above
b) Appiko Movement
c) Both of the above
d) Chipko Movement

25. Write the correct sequence of alternatives given in Column II by matching them with respective terms in Column I: **[1]**

Column I	Column II
(a) India's first official census	(i) less than 2%
(b) Introduction of the railways in India	(ii) about 7%
(c) India's annual growth rate of aggregate real output during colonial period	(iii) 1850
(d) Female literacy level at the time of independence	(iv) 1881

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

26. During the British rule, India's demographic profile indicated _____. **[1]**

a) All of these
b) high birth rate
c) high infant mortality rate
d) high death rate

27. **Statement I:** In the 1980s, Pakistan was ahead of India in terms of Annual Growth of Gross Domestic Product (%). **[1]**
Statement II: The reform processes introduced in Pakistan and political instability over a long period as reasons behind the declining growth rate in Pakistan.

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

28. Using the following data, analyse the sectoral contribution of India and Pakistan towards Gross Value Added (GVA). **[3]**

Sectoral Share of Employment and GVA (%) in 2018-19

Sector	Contribution to GVA			Distribution of Workforce		
	India	China	Pakistan	India	China	Pakistan
Agriculture	16	7	24	43	26	41
Industry	30	41	19	25	28	24
Services	54	52	57	32	46	35
Total	**100**	**100**	**100**	**100**	**100**	**100**

29. How do the Global warming factor contribute to the environmental crisis in India? What problem do they pose for the government? **[3]**

OR

State any two advantages of Mini-hydel Plants.

30. a. Explain briefly the rationale behind the 'License Raj' under the Industrial Policy Resolution, 1956. **[4]**

b. Define Multilateral trade.

OR

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

31. Discuss briefly any two major steps taken by the Government of India on **Financial Sector** front under the Economic Reforms of 1991. **[4]**

32. State and explain the condition of Indian agriculture on the eve of independence. **[4]**

33. **Answer the following questions:** **[6]**

i. i. Mention the main objectives of economic reforms introduced in India in 1991. **[3]**

ii. Recently the Government of India has decided to merge MTNL and BSNL on account of rising losses. Justify the steps taken by the Government of India.

ii. **OR** **[3]**

i. **The most important characteristic of India*s foreign trade throughout the colonial period was the generation of a large export surplus. But this surplus came of a huge cost to the country's economy.** Do you agree with the above statement? Give valid reasons in support of your answer.

ii. Explain the 'Ryotwari' and 'Mahalwari' System of collecting land revenue prevalent under the British rule.

34. Give an account of human capital of India. **[6]**

Solution

SECTION A – MACRO ECONOMICS

1.

(d) (i), (iii) and (iv)
Explanation:
(i), (iii) and (iv)

2.

(c) Statement (b) is correct.
Explanation:
Net National Product (NNP) at Market Price = NNP at Factor Cost + Net Indirect Taxes

3.

(d) Standard of deferred payments
Explanation:
Standard of deferred payments

4. **(a)** Both Statements 1 and 2 are true.
Explanation:
Both Statements 1 and 2 are true.

5.

(d) Factor Inputs
Explanation:
Factor Inputs

6. **(a)** C + I
Explanation:
Aggregate Demand (AD) is the sum total of households consumption demand (C) and private investment demand (I) in a two sector economy, i.e. AD = C + I

7.

(c) Both Statements 1 and 2 are true.
Explanation:
Both Statements 1 and 2 are true.

8. **(a)** (iii) only
Explanation:
(iii) only

9.

(d) A is false but R is true.
Explanation:
A is false but R is true.

10.

(b) 20

Explanation:

Here, LRR = 0.05, so money multiplier = 1/0.05 = 20

11. No, the given statement is not true. The value added by oil refinery to the Gross Domestic Product (GDP) may also be polluting the nearby source of water. Such harmful effects that the refinery is causing to people and marine life is not penalized for the same. Thus these negative externalities are not ensuring the welfare of the economy through Gross Domestic Product (GDP).
12. Credit card is not money because there is a difference between money and credit. Money is what we pay for goods and services. Credit is the store of wealth lent to the borrowers. If you use your credit card to buy a shirt, you are not buying a shirt with your money. You are taking a loan from the bank that issued the credit card in order to buy the shirt, Moreover, money is a financial asset of its holder &nd financial liability of banks. Credit card is not a financial asset of individuals. It creates a financial liability for its holders.

OR

Broadly speaking, the Central bank acts as a bankers' bank in three capacities:

(i) As the custodian of the cash reserves of the commercial banks.

(ii) As the lender of the last resort.

(iii) As the bank of central clearance, settlement and transfers. A Central Bank has almost the same relationship with the other Commercial Banks of the country that the Commercial Banks have with the common public. That is why the Central Bank is also called banker's bank.

13. i. The goods purchased by foreign tourists are manufactured in the country. As a result, it will be included in domestic income.
    ii. It would be included in his domestic income because he earned the commission by providing a productive service.

OR

Net Domestic Product at Market Price is calculated as:

(NDP_{mp})= Private Final Consumption Expenditure + Government Final Consumption Expenditure + Net Domestic Capital Formation - Net Imports

NDP_{mp} = 800 + 200 + 100 - (-20)

= Rs. 1,120 crores

Net Domestic Product at Factor Cost is calculated as:

(NDP_{fc}) = NDP_{mp}- Net Indirect Tax

NDP_{fc} = 1,120 - 120

= Rs. 1,000 crores.

Therefore Net Domestic Product at factor Cost is termed as the Domestic Income.

14. - There will be underemployment equlibrium.
    - According to Keynes, equilibrium is mere intersection of AD and AS, full employment may or may not be there.
    - Under employment equilibrium refers to a situation when AD is equal to AS but resources are not fully utilised.
    - It occurs prior to the full employment level.

OR

Calculation of Marginal Propensity to Consume:

Given,

1. Investment (I) = Rs 300
2. Autonomous Consumption Expenditure $(\overline{C})$ = Rs 300
3. National Income (Y) = Rs 1,500

Also, Y = C + I or $Y = \overline{C} + bY + I$

$\because\ C = \overline{C} + bY$

On substituting the given variables in equation (i), we get

1500 = 300 + b(1500) + 300

1500 = 600 + 1500b

900 = 1500b or b = 900/1500

b = 0.6

$\therefore$ **Marginal Propensity to Consumer (MPC or b) = 0.6**

15. The process of money creation is based on the assumptions that:
    - entire banking system is a single unit.
    - all transactions are routed through the bank only.

    When a commercial bank receives initial/primary deposits (say ₹ 1,000), as per the requirement of the Central Bank, it has to maintain some reserves. The remaining amount is made available for loans. The lent sum of money is received back in the next round of deposits as secondary deposits. This process of deposit, reserve and lending continues till initial deposits become equal to the sum total of reserves.

Round	Deposits	Loans	Reserves (20%)
1	1000	800	200
2	800	640	160
3	640	512	128
...	...	...	...
...	...	...	...
Total	**5000**	**4000**	**1000**

Total deposit creation = Initial deposits $\times \frac{1}{\text{Reserve Ratio}}$

= 1000 $\times \frac{1}{0.2}$

= ₹ 5,000

Hence, total deposits of ₹ 5,000 are created.

16. Answer the following questions:

    (a) At equilibrium, Y = $\overline{C} + I$ (since at equilibrium AD = Y $\Rightarrow$ C + I = Y)

    $\bar{Y} = \bar{C} + bY + \bar{I}$

    400 = $\bar{C}$ + 0.8 $\times$ 400 + 60 (since Y = 400, MPC = b = 0.8 and $\bar{I}$ = 60)

    400 = $\bar{C}$ + 320 + 60

    $\bar{C}$ = 400- 320 - 60 = 20

    Autonomous consumption C = ₹ 20 crore

    The given value of autonomous consumption (₹ 30 crore) is incorrect as according to calculation it is 20 crores..

    (b) **Frictional unemployment** It is the unemployment associated with the changing of jobs in dynamic economy. It arises due to immobility of labour, shortage of raw material, lack of information regarding opportunities of employment, etc.

    Structural unemployment It is the unemployment that results from the long-term decline of certain industries. It is associated with the structural changes in the economy. It arises due to shortage of capital, land, trained labour and updated technique.

17. a. Private enterprises always desire to allocate resources to those areas of production where profit are high.

    b. However, it is possible that such areas of production (like production of alcohol) may not promote social welfare.

c. Through its budgetary policy the government of a country directs the allocation of resources in a manner such that there is a balance between the goals of profit maximization and social welfare.
d. Production of goods which are injurious to health (like cigarettes and whisky) is discouraged through heavy taxation.
e. On the other hand, production of "socially useful goods" (like electricity, 'Khadi') is encouraged through subsidies.
f. So, finally government has to reallocate resources in accordance to social and economic considerations in case the free market fails to do or does so inefficiently.

SECTION B – INDIAN ECONOMIC DEVELOPMENT

18.

(c) India
Explanation:
India initiated its process of Economic Reforms in the year 1991.

19. **(a)** Mixed economy
Explanation:
Mixed economy

20. **(a)** 100
Explanation:
The Vision India Document envisages a 100% literacy rate to make India a developed country.

21. **(a)** Both A and R are true and R is the correct explanation of A.
Explanation:
In the absence of warehousing, the farmers are compelled to sell their produce immediately after harvesting it. It causes a glut of supplies in the market.

22.

(b) Valmiki Ambedkar Awas Yojana
Explanation:
Valmiki Ambedkar Awas Yojana is not an employment generation programme while this scheme is to provide shelter for people living in urban slums.

23.

(d) Regular workers
Explanation:
Regular workers

24.

(c) Both of the above
Explanation:
Both chipko movement as well as appiko movements are associated with conservation of forests.

25.

(b) (a) - (iv), (b) - (iii), (c) - (i), (d) - (ii)
Explanation:
(a) - (iv), (b) - (iii), (c) - (i), (d) - (ii)

26. **(a)** All of these
Explanation:
During the British rule, India's demographic profile indicated by all of the above factors.

27.

(b) Both the statements are true.

Explanation:

Both the statements are true.

28. The given data pertains to the sectoral share of Gross Value Added (GVA) of India and Pakistan. According to the given data, the contribution of the agricultural sector to GVA in India is 16% whereas, in Pakistan it is 24%. In India, the Industrial sector contributed 30% to GVA whereas this contribution stands at 19% in Pakistan. In India and Pakistan, the contribution of service sector to GVA is the highest, 54% and 57% respectively. Thus, in both the countries, service sector has emerged as a key contributor to growth.
29. Global Warming : It refers to a gradual increase in the shortage temperature of the earth's lower atmosphere as a result of increase in green-house gases since the Industrial Revolution much of The recent observed and projected global warming is human induced.

    It is caused by man made increases in carbon dioxide and other green-house gases through the burning of fossil fuels and deforestation.

    A UN Conference on Climate Change, held in Kyoto, Japan in 1997, resulted in an inter¬national agreement to fight global warming which called for reductions in emissions of green-house gases by industrialized nations.

    OR

    Mini hydel plants generate electricity from the flow of water on a small scale. These are developed in mountainous areas where there are lot of streams. Its benefits are:

    a. They are environment-friendly as they do not burn coal to generate electricity.
    b. There is no need for large investments as they do not need large transmission towers and cables.

30. a. The aim of License Raj under the Industrial Policy Resolution 1956, was to keep the private sector under control. No new industry was allowed unless a license was obtained from the Government. This policy was used for ensuring regional equality.
    b. Multilateral trade refers to exchange of goods and services between more than two nations.

    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. **Financial Sector Reforms:** Financial sector includes financial institutions, such as commercial banks, investment banks, stock exchange operations and foreign exchange market. The financial sector in India is regulated by the Reserve Bank of India (RBI). You may be aware that all banks and other financial institutions in India are regulated through various norms and regulations of the RBI. The RBI decides the amount of money that the banks can keep with themselves, fixes interest rates, nature of lending to various sectors.
32. **Stagnant agricultural sector** - Agriculture sector experienced continued stagnation and deterioration. The primary cause for this was exploitative land settlement system followed under the British rule.

    Commercialisation of Agriculture - For the benefit of British industries cash crops were forced upon the Indian farmers. In place of food crops, farmers started producing cash crops like indigo, jute, cotton etc.
33. Answer the following questions:

    (a) i. Following are the main objectives of economic reforms:

i. **Reduction in Fiscal Deficit-** On the eve of economic reforms, the fiscal deficit of the government was very high. The objective of economic reforms was to reduce the large-sized fiscal deficit to ensure relative price stability.

ii. **Role of Public Sector-** On the eve of economic reforms, public sector undertakings were running in losses. Another objective of economic reforms was to open up a larger part of the economy for the private sector and to reduce the role of the public sector.

iii. **Inflow of capital and technology-** It was realised during the planning period that economic growth was slow due to a shortage of resources. Economic reforms aimed to encourage the inflow of foreign capital and technology.

ii. The decision taken by the Government of India to merge BSNL and MTNL is quite appropriate. The Government has merged the two loss incurring businesses, with a motive to:

i. Achieve higher economic and functional efficiency.

ii. Minimise possible losses.

(b) OR

i. The most important characteristic of India*s foreign trade throughout the colonial period was the generation of a large export surplus. But this surplus came of a huge cost to the country's economy. The give statement is correct to its character.
India's foreign trade during the British colonial rule generated a large export surplus but at a huge cost to the country's economy because:

i. Several essential commodities - food grains, clothes, kerosene, etc. were scarcely available in the domestic market.

ii. The export surplus did not result in any flow of gold or silver into India. Rather, this was used to make payments for the expenses incurred by an office set up by the colonial government in Britain, expenses on war fought for the British government, and the import of invisible items. All these led to the "drain of India wealth".

ii. **Ryotwari System:** It was the way of collecting tax revenue (in British controlled areas in India) directly from cultivators of farmland.

- In Ryotwari System the ownership rights were handed over to the peasants. British Government collected taxes directly from the peasants.
- The revenue rates of Ryotwari System were 50% where the lands were dry and 60% in irrigated land

Mahalwari System: This system consisted of landlords or zamindars representing an entire village or even a group of villages. Along with the tillers, they were jointly as well as individually responsible for the payment of revenues. The land under this system included the land of the villages as well as adjoining forestland and pastures.

- The Mahalwari system had many provisions of both the Zamindari System and Ryotwari System.
- In this system, the land was divided into Mahals. Each Mahal comprises one or more villages.
- Ownership rights were vested with the peasants.

34. **Size of Population in India**

At the time of independence India's population was only 38.4 million but it has become now 1210 million. In terms of global ranking, India's status is as follows:

Category	Area	Population	Labour force	HDI	Real GDP per Capital
Global Rank	7th	2nd	2nd	134th	127th

It shows poor usage of human resource in India.

Growth of Population

Till 1981 population was growing very fast thereafter, the rate of growth slowed down.

Year	1891-1921	1921-1951	1951-1981	1981-1991	1991-2001	2001-2011
Growth rate	0.19	1.22	2.15	2.11	1.93	1.64

Life Expectancy: It refers to the number of years, on an average; a human being is expected to survive. It is 65.6 years for females and 64 years for males in 2007.

Infant Mortality Rate: IMR refers to the number of children dying before attaining the age of 1. It is 44 per thousand in urban areas and 70 per thousand in rural areas.

Density of Population: It refers to the number of people living per square kilometer on an average. It has become 324 persons per sq. km. Therefore, a higher population will mean higher burden on land.

Age-Composition: Age composition is determined by fertility. With fall in birth rate we can expect fall in dependency ratio, increase in working population and hence more GDP and savings.

Sex-Composition: In India, almost in every state except Kerala, Sex ratio is favourable to men. It stood at 940 per thousand in 2011. Reasons for this adverse sex ratio are under count of women, gender inequality, feiticide, female selective termination of pregnancy and natural lag in young ages being reflected in long run.

Rural Urban Divide: There has been an increase in population living in urban areas but still rural areas are dominating with 68% population. Urban population has risen from 17.1 % in 1951 to 32% in 2011.

State of Literacy: Literacy rates have also increased. It has become 74.04% in 2011 with 82.14% for males and 65.46% for females.

As mentioned above that at the time of independence human resource usage was poor. Though India may be a late starter, there are signs that it will soon begin to take huge strides in this area. According to a 2017 India Human Capital Trends survey report by Deloitte, 96 percent of companies believe they need to redesign their organisations to succeed in the digital age and look for strategic intelligence and leadership from human resources professionals to become a digitally-inclusive and people-centric organisation.