Class XII Session 2026-27
Subject - Economics
Sample Question Paper - 10

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. Suppose in an imaginary economy, autonomous consumption = ₹ 500 crore and marginal propensity to consume = 0·8. The saving function for the economy would be _____. **[1]**

   a) (-) 500 + 0.8Y
   b) (-) 500 + 0.2Y
   c) 500 + 0.8Y
   d) 500 + 0.2Y

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. _____ is the total volume of money held by the public, for the purpose of disposing off, at a particular point of time. **[1]**

   a) Money supply
   b) Demand for money
   c) Credit creation
   d) Term deposits

4. **Statement 1:** Keeping other things constant, there exists positive correlation between the price of foreign exchange and its demand. **[1]**
Statement 2: The foreign exchange rate indicates a country's purchasing power in international markets.

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

5. Which of the following is a phase of circular flow of income? **[1]**

a) Disposition Phase
b) Generation Phase
c) All of these
d) Distribution Phase

6. Increase in cash reserve ratio will lead to: **[1]**

a) No change in Aggregate Demand
b) Rise in Aggregate Demand
c) Fall in Aggregate Demand
d) No change in aggregate supply

7. **Statement 1:** Economic territory and political frontier of a nation are one and the same thing. **[1]**
Statement 2: American Embassy in India is a part of the economic territory of India.
In the light of the given statements, choose the correct alternative from the following:

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

8. Which function of money has simplified the borrowing and lending operations? **[1]**

a) Standard of deferred payments
b) Medium of exchange
c) Both Store of value and Standard of deferred payments
d) Store of value

9. **Assertion (A):** Export and import of services such as banking, insurance, shipping are not included in the balance of trade. **[1]**
Reason (R): Expenditure by tourists is included in the balance of trade.

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. What is true for the Central Bank? **[1]**

a) Apex Bank of the Country
b) All of these
c) Ownership of the Government
d) Regulates the entire banking system in the country

11. What are non-monetary exchanges? Give an example. Explain their impact on use of gross domestic product as an index of welfare of the people. **[3]**

12. Explain the medium of exchange function of money. **[3]**

OR

Discuss any one of the following functions of a Central Bank

a. As Government's Bank.

b. Open Market Operations.

13. How should the following be treated while calculating national income? Give reasons for your answer. **[4]**

i. Purchases by foreign tourists.

ii. Purchase of shares by a domestic firm.

OR

Giving valid reasons, explain how the following would be treated while estimating National income:

a. Payment of indirect taxes by a firm.

b. Purchase of goods by foreign tourists.

14. "When ex-ante Aggregate Demand (AD) falls short of ex-ante Aggregate Supply (AS) it results in fall in unintended inventories." **[4]**

Defend or refute the given statement, giving valid arguments.

OR

What is the difference between Balance of Trade and current account balance?

15. Suppose for a hypothetical economy, reserve ratio changes from 20% to 25% and the value of primary deposits are ₹$1,000$ crore. **[4]**

Calculate the change in the amount of credit creation when reserve ratio changes from 20% to 25%.

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

i. If marginal propensity to consume is 80% and is constant at all levels of income, and the autonomous consumption is ₹ 400 crores, construct consumption function of the given hypothetical economy. **[3]**

ii. Estimate the value of Aggregate Demand in an economy if: **[3]**

a. Autonomous Investment = ₹ 100 crore

b. Marginal Propensity to Save = 0.2

c. Level of Income = ₹ 4,000 crore

d. Autonomous Consumption Expenditure = ₹ 50 crore

17. i. Under **Zero Defect, Zero Effect** (ZED) scheme, the government of India provides up to 80 % subsidy to Mini, Small and Medium Enterprises (MSMEs). **[6]**

Identify and explain the objective of government budget, highlighted in the above text.

ii. Distinguish between Direct tax and Indirect tax with suitable examples.

SECTION B – INDIAN ECONOMIC DEVELOPMENT

18. _____ were launched to overcome Balance of Payments crisis in the country. **[1]**

a) Foreign Exchange Reforms

b) Financial Sector Reforms

c) Tax Reforms

d) Trade and Investment Policy

Reforms

19. During India's first seven five-year plans, the Government of India adopted _____ policy to protect domestic industries. **[1]**

a) Import substitution
b) Self-reliance
c) Export promotion
d) Land reforms

20. Literacy rate is measure of education, a person is called literate if he/she can _____ any language. **[1]**

a) read
b) understand
c) write
d) All of these

21. **Assertion (A):** Rural development in India is a core element for overall development of the nation. **[1]**
Reason (R): More than two-third of India's population depends on agriculture.

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. _____ growth refers to a situation when economy tends to rise due to technology without any increase in the level of employment. **[1]**

a) Lack of willingliness among people to work
b) Jobless
c) Both Workless and Jobless
d) Workless

23. _____ % of female workers are engaged in regular salaried work. **[1]**

a) 12
b) 8
c) 55
d) 14

24. The function of Central Pollution Control Board is to control: **[1]**

a) Deforestation
b) Global Warming
c) Water Pollution
d) Air Pollution

25. State the correct combination between the following columns. **[1]**

Column A	Column B
(a) Life expectancy	(i) Number of children dying before the age of one per 1000 live births
(b) Per capita income	(ii) Number of years a person is expected to live at the time of birth
(c) Infant Mortality rate	(iii) The number of live births per thousand of population per year
(d) Birth rate	(iv) Income per person in the economy

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

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

26. Life expectancy during the colonial period was_____. **[1]**

a) 32 b) 30

c) 65 d) 63

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

Statement 1: Special Economic Zones (SEZ's) policy has led to huge Foreign Direct Investment (FDI) flow to China.

Statement 2: China's rapid industrial growth was the result of its economic reform in 1981.

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

a) Statement 1 is false and Statement 2 is true. b) Statement 1 is true and Statement 2 is false.

c) Both statements 1 and 2 are true. d) Both statements 1 and 2 are false.

28. Comment on the growth rate trends witnessed in India, China and Pakistan. **[3]**

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

Explain, how according to the Brundtland Commission the present generation can promote sustainable development.

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

OR

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

31. "The Ministry of Skill Development and Entrepreneurship (MSDE) and the Indian Space Research Organisation (ISRO) organised a capacity-building training aimed at upgrading the skills of government personnel and further contributing to increasing India's share in the global space industry." **[4]**

In the light of the given statement, explain how such training programmes can affect human capital formation.

32. Discuss any two factors that lead to stagnating Indian agriculture sector during British rule. **[4]**

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

i. i. It is necessary to create employment in the formal sector rather than in the informal sector. Defend or refute the given statement with valid arguments. **[3]**

ii. State with valid reason whether the following statement is true or false:
Self employed workers are different from hired workers.

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

i. Development of Railways during British rule encouraged

colonial exploitation of the Indian resources.

Justify the given statement with valid arguments.

ii. How did the downfall of the kings of India lead to the downfall of handicraft industries?

34. i. Discuss briefly the financial sector reforms undertaken by the Government of India in the post 1991 period. **[6]**

ii. Distinguish between Multilateral Trade and Bilateral Trade.

Solution

SECTION A – MACRO ECONOMICS

1.

(b) (-) 500 + 0.2Y
Explanation:
(-) 500 + 0.2Y

2.

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

3. **(a)** Money supply
Explanation:
Money supply

4.

(d) Statement 1 is false and Statement 2 is true.
Explanation:
Statement 1 is false and Statement 2 is true.

5.

(c) All of these
Explanation:
All of these

6.

(c) Fall in Aggregate Demand
Explanation:
Fall in Aggregate Demand

7.

(d) Both statements 1 and 2 are false.
Explanation:
Both statements 1 and 2 are false.

8. **(a)** Standard of deferred payments
Explanation:
Standard of deferred payments

9.

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

Export and import of services such as banking, insurance, shipping are not included in the balance of trade. Expenditure by tourists is not included in the balance of trade.

10. **(b)** All of these
Explanation:
All of these are true for the Central Bank.

11. Non-monetary exchanges refer to the goods and services produced but not exchanged through money, like the domestic services rendered by the members of a family to each other. The value of these services is many times difficult to estimate and so it escapes national income estimation. These exchanges however have positive effect on the welfare of the people.
12. The most important function of money is that it serves as a medium of exchange between two parties involved in a transaction. In the barter economy, great difficulty was experienced in the exchange of goods as the exchange in barter system required a double coincidence of wants. Money avoids the practical problems of wastage of time and resources, involved in the barter system of an exchange and it improves the transactional efficiency. It also promotes allocational efficiency in the trade and production of goods and services. Hence, it can be said that money has separated the acts of sales and purchases.

OR

Open Market Operations: Open market operations (OMO) refer to buying and selling of government securities by the Central Bank from/to the public and commercial banks. RBI is authorised to sell or purchase treasury bills and government securities. It does not matter whether the securities are bought or sold to the public or banks because ultimately the amounts will be deposited in or transferred from some bank.

13. i. **Purchases by foreign tourists:** It should not be included in the estimation of national income of India as such expenditure by foreign tourists on the domestic product is treated as export of goods and services.
    ii. **Purchase of shares by a domestic** firm: It should not be included in the estimation of national income of India as the purchase of shares is merely a financial transaction which does not result in any production of goods and services, therefore, it is not included while calculating national income.

OR

i. **Payment of indirect taxes by a firm:** It is not included in national income because it is paid to the government, and national income includes factor income accrued to factors of production.
ii. **Purchase of goods by foreign tourists:** It is included in national income because it represents demand for goods manufactured in the country, and national income includes domestic income.

14. The given statement is refuted.
If ex-ante Aggregate Demand falls short of ex-ante Aggregate Supply, it implies that households and firms are planning to buy less than what the firms expected them to. As a result, inventories will be piled up with the producers, which may lead to unintended accumulation of inventories.

OR

Difference between Balance of Trade and current account balance
Balance of Trade refers to the balance occurring on account of export and import of visible items only it doesn't include the trade of invisible items.
Current account balance includes the following:

i. Export and import of goods.
ii. Export and import of services.
iii. Unilateral transfers from one country to the other.

Thus, Balance of Trade is only a component of current account balance. balance of trade deficit can be treated from current account but current account deficit can't be treated with balance of trade surplus.

15. Given, primary deposits ₹ $1,000$ crore and change in Reserve Ratio from 20% to 25% the change in amount of money creation is depicted as follows:

Case	Primary Deposits (in ₹ crore)	Reserve Ratio (RR)	Money Multiplier $\left(\frac{1}{RR}\right)$	Amount of Money Creation (Primary Deposits x Money Multiplier)
I	1,000	0.2	$\frac{1}{0.2} = 5$	$1,000 \times 5 = ₹5,000$
II	1,000	0.25	$\frac{1}{0.25} = 4$	$1000 \times 4 = ₹4,000$

It may be concluded from the two cases shown in the table that, with $₹1,000$ crore of primary deposits and change in Reserve Ratio (RR) from 20% to 25%, the amount of money creation reduces from ₹ $5,000$ crore to ₹ $4,000$ crore.

16. Answer the following questions:

(a) MPC = 0.8 or 80% $\bar{c}$ = ₹ 400 crores

$C = \bar{C} + MPC(Y)$

$C = 400 + 0.8\ Y$

(b) Here,

MPC = b = 1 - MPS = 1 - 0.2 = 0.8, $\bar{C}$ = 50, Y = 4,000 and $\bar{I}$ = 100

AD = C + I

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

$AD = 50 + 0.8 \times 4{,}000 + 100$

AD = 50 + 3,200 +100

AD= **₹ 3,350 crore**

17. i. The highlighted government budget objective is the 'allocation function'. With the subsidies to Mini, Small and Medium Enterprises (MSMEs), the government may seek to enhance national output and employment opportunities and achieve socioeconomic goals. In a country like India, such steps are fruitful for the overall growth of the nation.

ii. Direct taxes are those taxes whose impact and incidence lies on the same entity. In other words, the liability of paying direct taxes can't be shifted. For example: income

Indirect taxes are those taxes whose impact and incidence may lie on different entities. In other words, the liability of paying indirect taxes can be shifted. For example: GST

SECTION B – INDIAN ECONOMIC DEVELOPMENT

18. **(a)** Foreign Exchange Reforms

Explanation:

Foreign Exchange Reforms

19. **(a)** Import substitution

Explanation:

Import substitution

20. **(d)** All of these

Explanation:

All of these

21. **(a)** Both A and R are true and R is the correct explanation of A.

Explanation:

Both A and R are true and R is the correct explanation of A.

22.

(b) Jobless

Explanation:

Jobless

23.

(b) 8

Explanation:

Since regular salaried jobs require skills and a higher level of literacy, women might not have been engaged to a great extent.

24.

(d) Air Pollution

Explanation:

These boards specify benchmarks of the tolerable range of effluent and emissions. Besides, they are spreading awareness among the people about the extent and possible dangers of environmental pollution.

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

Explanation:

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

26. **(a)** 32

Explanation:

Life expectancy in India was 32 years at the time of independence in 1947.

27.

(b) Statement 1 is true and Statement 2 is false.

Explanation:

Statement 1 is true and Statement 2 is false.

28. Following table shows the growth rate of GDP percentages (%).

Country	1980-90	2011-15
India	5.7	6.7
China	10.3	7.9
Pakistan	6.3	4.0

From the above table, the following points emerge:

i. In the 1980s, Pakistan and China were ahead of India and India was at the bottom.

ii. In 2011-15, the growth rate of Pakistan declined but India's growth rate increased.

iii. In the 2011-15, the growth rate of China also declined.

The growth of the agricultural sector which employs the largest proportion of the workforce in the two countries has declined. In the industrial sector, China has maintained a double-digit growth rate whereas for India growth rate has declined. In the case of the service sector, India has been able to raise its growth rate in the 1990s while China reduced the service sector growth rate.

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

Brundtland Commission the present generation can promote sustainable development in following manner:-

The Brundtland Commission emphasises on protecting the future generation. At least we should leave to the next generation a stock of quality of life' assets no less than what we have inherited. It becomes the moral duty of present generation to hand over the earth to the future generation in good form. Therefore, if the resources are overused or misused, they will deplete so fast that the production capacity of the future generations would not be sustainable. Sustainable development aims at maximising the welfare of both present and future generations. It does not mean hindering the existing pace of economic growth, but refers to a judicious or optimum utilisation of resources in such a manner that pace of economic growth sustains with inter-generational equity. The present generation can promote sustainable development in the ways that are compatible with which are as follows:

i. Conservation of natural assets,
ii. Preservation of the regenerative capacity of the world's natural ecological system; and
iii. Avoiding the imposition of added costs or risks on future generations.

30. 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.

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. Capacity-building initiatives by Ministry of Skill Development and Entrepreneurship (MSDE) and the Indian Space Research Organisation (ISRO) in the form of On-the-job training boost the efficiency of government personnel. Such trainings have become an integral part of work environment in the recent times as they add to the productive capacity of employees.

Firms encourage such capacity-building programmes, as the benefits outweigh the cost of these trainings. They help employees keep pace with modern technologies and innovative practices. Thus, it can be asserted that on-the-job training is an important source of human capital formation.

32. During British rule, the agriculture sector experienced stagnation due to the following factors:
    - The colonial government introduced the Land Settlement system. The zamindars used to exploit cultivators by extracting a major portion of the produce in the form of rent leading to misery among the farmers.
    - Lack of irrigation facilities and low level of technology contributed to the dismal level of agricultural productivity, which aggravated the plight of the farmers.
33. Answer the following questions:
    (a) i. Yes, it is necessary to create employment in the formal sector rather than in the informal sector. The given statement is true and can be defended on the following arguments:
        i. The formal sector of employment provides greater job security as compared to the informal sector of employment.
        ii. Under the formal sector of employment, people are entitled to better social security benefits.

    ii. True. As workers who own and operate an enterprise to earn their livelihood are known as self-employed. Whereas, hired workers are those workers who are employed

by others. Hired workers may further be categorised as casual and regular salaried workers.

(b) OR

i. Development of Railways during British rule fostered commercialisation of Indian agriculture, which adversely affected the self-sufficiency of the village economies. Through railways, primary products were transported to the nearest ports which led to drain of India's wealth, as this export surplus did not result in any flow of gold or silver into India.

Hence, the benefits from the introduction of railways were outweighed by the country's huge economic loss.

ii. Indian handicrafts were enjoying protection from nawabs, kings and emperors. With the British rule, Nawab, kings etc. disappeared. With their disappearance, there was no one to protect these handicrafts. The kings of India were great patrons of the handicraft industry. They extended state help to expert craftsmen and were also willing to spend huge amounts of money to buy exquisite pieces of handicrafts. Their downfall robbed the handicraft industry of their great supporters and led to its downfall.

34. i. The financial sector witnessed a major revamp under the economic reform process of 1991 such as redefining the role of RBI from regulator to facilitator of the financial sector. It implies that the financial sector could now take decisions on many matters without consulting the RBI. The reform policies led to the establishment of private sector banks (Indian as well as foreign).

ii. Multilateral trade is the trade by a country with more than two nations to exchange goods and services.

Whereas;

Bilateral trade refers to the exchange of goods or services between two countries.