Class XII Session 2026-27
Subject - Economics
Sample Question Paper - 6

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. Break even point occurs when **[1]**

   a) Y > C
   b) C > Y
   c) Y = S
   d) S = 0

2. Can the gross domestic product be greater than the gross national product? **[1]**

   a) Never
   b) Can't say
   c) Yes
   d) No

3. Which of these conditions is needed for a financial institution to become a bank? **[1]**

   a) Advancing Loans
   b) Rejecting deposits
   c) Accepting deposits
   d) Both Accepting deposits and Advancing Loans

4. **Statement 1:** Currency Depreciation makes the domestic currency less valuable and more of it is required to buy the foreign currency. **[1]**
   Statement 2: Currency Depreciation leads to an increase in National Income.

   a) Both the Statements are true.
   b) Statement 2 is true and Statement 1 is false.
   c) Statement 1 is true and Statement 2 is false.
   d) Both the Statements 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. Deficient Demand indicates: **[1]**

a) Full employments equilibrium
b) Under employment equilibrium
c) Both under employment equilibrium and deflationary gap
d) Deflationary gap

7. **Statement I:** Stocks are economic variables measured at a given point of time. **[1]**
Statement II: Flows are economic variables measured over a period of time.

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

8. Deposits that can be withdrawn on demand by the depositors are called _____. **[1]**

a) Savings deposits
b) Term deposits
c) Demand deposits
d) Time deposits

9. **Assertion (A):** Acquisition of a domestic (Indian) company by a foreign (Australian) company will be recorded on the credit side of Balance of Payment Account. **[1]**
Reason (R): It leads to outflow of foreign exchange from the domestic economy.

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. Which of the following is not a function of the Reserve Bank of India. **[1]**

a) Banker to the public
b) Issue of currency
c) Banker to government
d) Controller of money supply

11. Government incurs expenditure to popularise yoga among the masses. Analyse its impact on gross domestic product and welfare of the people. **[3]**

12. Who prints and circulates currency in India? **[3]**

OR

Identify and explain any one function of the Central Bank as indicated in the image given below:



13. What are **non-monetary exchanges**? Discuss with suitable example. **[4]**

OR

How will you treat the following in the calculation of Domestic Income of India? Give

reasons for your answer.

i. Compensation of employees to the residents of Japan working in the Indian embassy in Japan.

ii. Rent paid by the Embassy of Japan in India to a resident Indian.

iii. Salaries to Indian residents working in the Russian embassy in India.

iv. Profits earned by Indian employees working in the US embassy in India.

14. What is meant by inflationary gap? Suggest any two fiscal measures to correct the situation of inflationary gap. **[4]**

OR

Distinguish between autonomous and accommodating transaction in the balance of payment account. Give an example each.

15. Distinguish between Demand Deposits and Fixed Deposits. **[4]**

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

i. Consumption function curve of an involuntary unemployed workers start from some positive level on Y-axis even at zero level of Income. Justify the given statement. **[3]**

ii. Describe the adjustment mechanism, if in an economy the planned savings are more than the planned investments. **[3]**

17. Explain the meaning of the following: **[6]**

i. Revenue deficit.

ii. Fiscal deficit.

iii. Primary deficit.

SECTION B – INDIAN ECONOMIC DEVELOPMENT

18. What was the immediate crisis India faced at the beginning of the 1990s? **[1]**

a) Inflation
b) Debt trap
c) Foreign exchange crisis
d) All of these

19. Planning in India started with a heavy reliance on the _____ sector. **[1]**

a) Private
b) Service
c) Public
d) Both public and private

20. Expenditure regarding _____ training is a source of human capital formation. **[1]**

a) On-the-job
b) Hybrid
c) Both Off-the-job and On-the-job
d) Off-the-job

21. **Assertion (A):** The fishing community regards the water body as **mother** or **provider**. **[1]**

Reason (R): Because the water bodies (sea, oceans, rivers, lakes, natural aquatic ponds, streams etc.) are an integral and life-giving source for the fishing community.

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 one of the following activities can be included in the primary sector? **[1]**

a) Giving loans to the farmer
b) Making Sugar from sugar cane
c) Providing storage facility for the grains
d) Cultivating sugar cane

23. Identify, which of the following is the correct formula for calculating **Worker-Population Ratio**? **[1]**
(Choose the correct alternative)

a) $\frac{\text{Total Population}}{\text{Total labour force}} \times 100$
b) $\frac{\text{Total labour force}}{\text{Total population}} \times 100$
c) $\frac{\text{Total Workers}}{\text{Total population}} \times 100$
d) $\frac{\text{Total population}}{\text{Total Workers}} \times 100$

24. Which of the following is not used as a strategy for Sustainable Development? **[1]**

a) Use of hydel power
b) Use of bio-gas
c) Use of solar power
d) Use of thermal power

25. From the set of the events given in Column-I and the corresponding year in Column-II, choose the **incorrect pair**: **[1]**

	Column- I		**Column- II**
A.	Introduction of railways in India	(i)	1850
B.	Incorporation of TISCO	(ii)	1807
C.	First Official Census of India	(iii)	1881
D.	Opening of Suez Canal	(iv)	1869

Alternatives:

a) D - (iv)
b) B - (ii)
c) A - (i)
d) C - (iii)

26. Under the zamindari system, the main interest of the zamindars was only to collect rent regardless of the economic condition of the cultivators. To a very great extent, the terms of _____ were responsible for the zamindars adopting such an attitude. **[1]**

a) British government
b) Revenue settlement
c) Rent
d) Cropping pattern

27. Read the following statements carefully: **[1]**
Statement 1: China introduced structural economic reforms on its own, without any pressure.
Statement 2: Scholars argue that in India, the economic reforms process led to the worsening of all the economic indicators.

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

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. From the data given below, compare and contrast India's and China's sectoral contribution towards GVA/GDP. **[3]**

Sectoral Contribution to GVA/GDP (in %) (2018-19)

Sector	India	China
Agriculture	16	7
Industry	30	41
Services	54	52
Total	100	100

29. India has abundant natural resources. Substantiate the statement. **[3]**

OR

Why do you think that soil erosion is one of the area which needs to be tackled in order to preserve the environment?

30. Differentiate between Self Reliance and Self Sufficiency. **[4]**

OR

Why there was need for economic reforms?

31. Human Capital benefits only the owner and not the society. Defend or refute the given statement. **[4]**

32. a. Name any one prominent economist who estimated India's National Income during the Colonial period. **[4]**

b. Discuss any two causes of India's agricultural stagnation during the Colonial period.

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

i. i. Briefly discuss the relationship between population growth and unemployment in India. **[3]**

ii. Compared to females, more males are found to be working. Why?

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

i. Suez Canal was used as a highway between India and Britain. Justify the given statement with valid arguments.

ii. "British colonial rule in India resulted into systematic deindustrialisation of Indian indigenous industries." Explain the two-fold motive of the British with valid arguments.

34. i. Discuss briefly, causes and consequences of the tax reforms initiated during economic reforms in India. **[6]**

ii. Give one example each of a Navratna and a Maharatna company in the public sector in India.

Solution

SECTION A – MACRO ECONOMICS

1. **(d)** S = 0
   Explanation:
   S = 0

2. **(c)** Yes
   Explanation:
   When net factor income from abroad is negative.

3. **(d)** Both Accepting deposits and Advancing Loans
   Explanation:
   Both Accepting deposits and Advancing Loans

4. **(a)** Both the Statements are true.
   Explanation:
   Both the Statements are true.

5. **(d)** Factor Inputs
   Explanation:
   Factor Inputs

6. **(c)** Both under employment equilibrium and deflationary gap
   Explanation:
   Both under employment equilibrium and deflationary gap

7. **(a)** Both the statements are true.
   Explanation:
   Both the statements are true.

8. **(c)** Demand deposits
   Explanation:
   Demand deposits

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

A is true but R is false.

10. **(a)** Banker to the public
    Explanation:
    Banker to the public
11. Government expenditure on popularising yoga raises GDP because it is government's final consumption expenditure. It also raises welfare of the people because yogic exercises improve health and thus, raise efficiency of the people.
12. Currency in India is printed by special subsidiaries appointed by the Issue Department of RBI. Coins and ₹ 1 note are printed by RBI on the directions of Government of India The RBI circulates and regulates the currency.

    OR

    One of the indicated functions of the Central Bank i.e. Reserve Bank of India (RBI) is the Banker's Bank and Supervisor.
    RBI accepts 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. Being the supreme authority of the banking system, it acts as the financier of last recourse to the commercial banks. RBI supervises, regulates and controls the commercial banks.
13. Non-monetary exchanges refer to the goods and services produced but not exchanged for any monetary value. This generally results in undervaluation of GDP of an economy. it is not included in the valuation of GDP of the country.
    For example: value of household chores (cooking, washing, cleaning etc.) by a millions of homemakers is not included in the national income.

    OR

    Domestic income is the sum total of factor incomes earned within the domestic territory of a country during an accounting year.
    i. Yes, it will be included in the domestic income of India as the Indian embassy in Japan is a part of the domestic territory of India.
    ii. No, it will not be included in the domestic income of India as the Japanese embassy is not a part of the domestic territory of India.
    iii. No, it will not be included in the domestic income of India as the Russian embassy is not a part of the domestic territory of India.
    iv. No, it will not be included in the domestic income of India as the US embassy is not a part of the domestic territory of India.
14. Inflationary gap represents the situation where the actual obtained aggregate demand exceeds the aggregate demand required to maintain full employment level.
    Fiscal measures to correct it
    i. Reduction in Government expenditure helps to reduce the inflation in the country by reducing money supply.
    ii. Increase in Taxes

    OR

    Autonomous items, also termed as 'above the line items', are those items, which are related to transactions which are determined by considerations of profit (economic motive) and hence, was no concern with the state of balance of payment. Accommodating items, also termed as 'below the line items', are those items of balance of paymet that are not determined by considerations of profit but to restore identity of balance of payment. Autonomous transactions are present in both current and capital account of balance of payment, While accommodating transactions are present only in capital account of balance of payment. Example of autonomous item is exports and imports for business purpose as they are done for profit motives. An example of accommodating item is government financing as it helps to provide a balance in the balance of payment account.
15.

Basis	Demand Deposits	Fixed Deposits

.	The deposits which are repayable by the banks on demand. It can be either savings or current account. They are chequeable deposits. They carry very less rate of interest and the interest rate is fixed for all amounts. The depositor can make any number of transactions for deposit or withdrawal of money.	These are the deposits under which amount is deposited for a fixed period of time. They are non-chequeable deposits. They carry interest which varies directly with the period of time. Depositor generally makes only two transactions: (i) Deposit of money in the beginning; (ii) Withdrawal of money on maturity.

16. Answer the following questions:
    (a) This statement is true because Consumption can never be zero, even if income is zero, because some level of consumption is required for survival. This type of subsistence consumption is known as autonomous consumption.
    (b) The economy is in equilibrium at that income level at which saving = investment (S = I). If, planned savings are more than the planned investments (S > I), it leads to building up of inventories with the producers. In order to bring down the inventories to the desired level, producers cut down production which brings down the income. Such a movement continues till savings become equal to the investments (S = I).

17. i. **Revenue deficit:** It is the excess of revenue expenditure over revenue receipts i.e Revenue expenditure > Revenue receipt. Revenue Deficit = Revenue Expenditure - Revenue Receipts.
    ii. **Fiscal deficit:** It is the difference between the government's total expenditure and total receipts excluding borrowings i.e total expenditure > total receipts (excluding borrowings). Fiscal Deficit = Total Budget Expenditure - Total Budget Receipts (excluding borrowing).
    iii. **Primary deficit:** It is the difference between fiscal deficit and interest payments by the government. Primary Deficit = Fiscal Deficit - Interest Payments. Primary deficit indicates, how much of the government borrowings are going to meet expenses other than the interest payments.

SECTION B – INDIAN ECONOMIC DEVELOPMENT

18.

(c) Foreign exchange crisis

Explanation:

Towards the beginning of 1990s, India was facing a Balance of Payments (BoP) crisis, due to unsustainable borrowing and high expenditure. India met with an economic crisis relating to its external debt- the government was not able to make repayments on its borrowings from abroad; foreign exchange reserves, which we generally maintain to import petrol and other important items, dropped to levels that were not sufficient for even a fortnight.

19.

(c) Public

Explanation:

There has been a strong reliance on the public sector before 1991 wherein the entry of the private sector was restricted and subjected to licensing system.

20. **(a)** On-the-job

Explanation:

On-the-job

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. **(d)** Cultivating sugar cane
Explanation:
The industries engaged in production or extraction of natural resources such as crops, oil and ores can be termed as primary sector.

23. **(c)** $\frac{\text{Total Workers}}{\text{Total population}} \times 100$
Explanation:
$\frac{\text{Total Workers}}{\text{Total population}} \times 100$

24. **(d)** Use of thermal power
Explanation:
Use of thermal power is not a strategy for sustainable development because it is not an environment-friendly source of energy.

25. **(b)** B - (ii)
Explanation:
B - (ii)

26. **(b)** Revenue settlement
Explanation:
Revenue settlement

27. **(b)** Statement 1 is true and Statement 2 is false.
Explanation:
Statement 1 is true and Statement 2 is false.

28. In both nations, the contribution of the agricultural sector to GDP is the least of the three sectors. Whereas; the service sector is the highest contributor to GDP in both nations.
The contribution of the agriculture sector to the GDP in India stands at 16% which is approximately more than double of China, i.e. 7%.
In China, the contribution of the industrial sector (41%) is way ahead of India (30%), owing to technological upliftment and rapid industrial growth in China in the 1970s. The service sector contributes more than half to the GDP in both India (54%) and China (52%) indicating the scale of economic growth in the two nations.
29. India is fortunate enough to have abundant natural resources. It comprises of rich and fertile soil, plenty of rivers and tributaries, green forests, mineral deposits, mountains, etc. The Indo-Gangetic plains are the most fertile, densely populated and cultivated plains in the world. It stretches from the Arabian Sea to the Bay of Bengal. The black soil of the Deccan Plateau is suitable for the cultivation of cotton in the country. India's lush green forests serve as a natural cover for the majority of the population. India holds more than 20 % of the world's total iron ore

reserves. There are mountain ranges that facilitate the operation of the mini hydel plants. It also has a vast variety of flora of 15,000 species of plants. The country is also endowed with numerous minerals that are found under the earth's surface like coal, natural gas, copper, diamonds, etc. However, the developmental activities in India have resulted in pressure on its finite natural resources, besides creating impacts on human health and well being.

OR

Soil erosion occurs when rains and floods wash away the surface soil. It needs to be addressed immediately because as per the estimates soil is being eroded at a rate of 5.3 billion tonnes a year which is in excess of the recharging capacity. A lot of nutrients are lost due to soil erosion and each year the loss is in the range of 5.8 to 8.4 million tonnes.

30. Difference between Self reliance and Self Sufficiency can be summarised as below:
    a. An economy must have enough resources or foreign exchange to purchase all inputs required for production, if they are not available within the country. If it has enough resources to buy these resources it is said to be self-reliant. On the contrary, when a country can produce everything within its domestic territory, it is said to be self-sufficient.
    b. It is possible to be self-reliant but it is not possible for an economy to be self sufficient.
    c. Self-sufficiency is also not desirable economically because it may be cheaper and better to buy certain inputs from other countries. For that a country needs foreign exchange. If a country has foreign exchange, it is self-reliant.
    d. Self - Sufficiency means a country is possessing (or producing) all the resources it needs.
    Self - Reliance is depending on own resources of the country and avoiding dependence on externals flows.

OR

Ans. Need for economic reforms or the New economic policy was felt mainly because of the following measures:

1. **Mounting fiscal deficit**: Prior to 1991, fiscal deficit of the government had been mounting year after year on the account of continuous increase in its non-development expenditure. Fiscal deficit means difference between the total expenditure and total receipts .Due to persistent rise in fiscal deficit there was corresponding rise in public debt and interest payment liability. There was possibility that the economy might lead to debt-trap situation. Thus it becomes essential for the government to reduce its non-development expenditure and restore fiscal discipline in the economy.
2. **Adverse balance of payment:** Balance of payments is the systematic record of country's exports and imports with rest of the world. When receipts of foreign exchange fall short of their payments, the problem of adverse balance of payment arises. Despite the restrictive policy adopted by the government till 1990 import substitution and export promotion the desired result could not be met. Our export could not compete in terms of price and quality in the international market. As a result there was slow growth of export and rapid increase in imports. Accordingly, the burden of foreign debt services increased tremendously and led to depletion of foreign exchange reserves.
3. **Gulf Crises:** On account of Iraq war in 1990-91 prices of petrol shot-up. Besides, India used to receive huge amount of remittances from gulf countries in terms of foreign exchange which stopped due to this war. Gulf crisis thus further accentuated the already adverse balance of payments position.
4. **Poor performances of PSUs:** Due to poor performances of public sector undertakings, they degenerated in to a liability. Most of public sector undertakings were incurring loss and their performance was quiet satisfactory.
5. **Rise in price:** Due to rise in prices of foodgrains there was pressure of inflation prior to 1991, which deepen the economic crisis from bad to worse.
6. **Fall in foreign exchange reserves:** In 1990-91 India's foreign exchange reserves fell to such a low level that there was not enough to pay for an import bill of even 10 days. The situation grew so acute that Chandrashekhar had to mortgage country's gold to discharge its foreign debt servicing obligations. In such situation the government had to helplessly resort to policy

of liberalisation as suggested by international institutions, in order to secure loans from them. On the account of the above compelling factors, it became inevitable for the govt. to adopt New Economic Policy.

31. The given statement may be refuted, as the human capital primarily benefits the owner but in general also yields its advantages to the society as well. For example: A healthy person, by maintaining personal hygiene and sanitation, prevents the spread of contagious diseases and epidemics.

32. a. V.K.R.V. Rao

b. Two causes of India's agricultural stagnation during the Colonial period were:

i. The system of land settlement that was introduced by the colonial government particularly the zamindari system.

ii. Lack of irrigation facilities is causes of stagnation of agriculture sector.

33. Answer the following questions:

(a) i. There is a direct relationship between population growth and unemployment in India. Every economy requires an optimum population for maximum economic development. Any growth of the population beyond this point means an increase in the number of dependents who will be a burden on the economy. Population growth will not be a problem if the extra labour is absorbed by the productive sectors of the economy. Population growth in India has created a large number of unemployed person because agriculture and industrial sectors cannot absorb the increased workforce. Increase in urban population has been found more than twice as compared to the rural population.

ii. Compared to females, more males are found to be working because:

(a) Gender based social division of labour: It is assumed that men are meant to fulfill financial responsibilities and females are meant to take care of domestic chores.

(b) Many of the household activities that are done by women are not recognised as work.

(c) Skill requirement is also a reason.

(b) OR

i. Opening of the Suez Canal provided a direct and shorter trade route for ships operating between Britain and India and avoided the need to sail around Africa. It intensified British control over India's foreign trade as it reduced the cost of transportation and made access to the Indian market easier. Hence, the Suez Canal was used by the colonial government as a highway to transport goods between India and Britain.

ii. The two-fold motive of the British colonial rule in India was to:

- reduce India to the status of a mere exporter of important raw materials for the upcoming modern industries in Britain.
- turn India into a sprawling market for their finished products to ensure the maximum advantage of their home country.

34. i. The causes of the tax reforms initiated during economic reforms in India were to curb tax evasion, encourage savings and voluntary disclosure of income. Additionally, indirect tax reforms were necessitated to facilitate the establishment of a common national market for commodities.

The tax rate rationalisation during the reform period, aimed at yielding larger tax revenue but did not result in an increase in the tax revenue. Moreover, tax incentives provided to foreign investors further reduced the scope for raising tax revenues which adversely impacted developmental and welfare expenditures.

ii. Example of Navaratna Company - Hindustan Aeronautics Limited.

Example of Maharatna Company - Indian Oil Corporation Limited.