



PRINCE ACADEMY

OF HIGHER EDUCATION

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BOARD SAMPLE PAPER - II (2025-26)

TIME : 3:00 Hours

SUBJECT : ECONOMICS CLASS - XII ARTS

M.M. : 80

General Instructions :-

1. All questions in both the sections are compulsory.
2. Marks for questions are indicated against each.
3. Questions No. 1-10 and 18-27 carrying 1 mark each.
4. Questions No. 11 & 12 and 28 & 29 are short-answer questions carrying 3 marks each. They are required to be answered in 60 words each.
5. Questions No. 13-15 and 30 -32 are also short-answer questions carrying 4 marks each. Answers to them should normally not exceed 70 words each.
6. Question No. 16-17 and 33-34 are long-answer questions carrying 6 marks each. Answers to them should normally not exceed 100 words each.
7. Answers should be brief to the point and the above word limits should be adhered to as far as possible.

SECTION A- (Macro Economics)

1. "Considering the depreciation of Indian Currency (Rs.) in the international market, the Reserve Bank of India (RBI) has decided to purchase Indian currency (Rs.) in the open market". This represents exchange rate system.
(a) fixed (b) flexible (c) managed floating (d) manipulated
2. Which of the following statements do not support do not support with the function of RBI as supervisor to the commercial banks ?
(a) Extend loans to the commercial bank.
(b) Inspection of operations of banks.
(c) Regulates the expansion, merger, and acquisition etc. of the bank.
(d) Formulates all rules and regulations for commercial bank.
3. Let foreign exchange rate between Indian Rupee and US dollar is Rs 40/1\$ and it changes to Rs. 50/1\$. Which of the following is the reason of depreciation of Indian currency?
(a) Increase in both demand and supply of US dollar.

(b) Increase in supply of US dollar and decrease in demand of US dollar.

(c) Increase in demand of US dollar and decrease in supply of US dollar.

(d) Decrease in both demand and supply of US dollar.

4. **Statement I :** The medium-term for Consumer Price Inflation (CPI) maintained by the RBI in context economy falls within the band of $3\% \pm 2\%$.

Statement II : When C function shoots from Y-axis, it indicates two arguments i.e. saving is negative when income is zero; and consumption is positive when income is zero.

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

(a) Both statements are true

(b) Statement I is true and Statement II is false

(c) Both statements are false

(d) Statement I is false and Statement II is true.

5. **Assertion (A) :** Fiscal policy focuses on both the principles of economic growth and stability.

Reason (R) : Stability is achieved by correcting the situation of inflationary and deflationary gap, while growth is achieved by way of lower taxation and higher subsidies to the producers.

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

(a) Assertion is true, but Reason is false.

(b) Assertion is false, but Reason is true.

(c) Both Assertion and Reason are true and Reason is the correct explanation of Assertion.

(d) Both Assertion and Reason are true, but Reason is not the correct explanation of Assertion.

6. The difference between narrow money and broad money

(a) saving deposits of banks

(b) time deposits with banks

(c) coins and currency

(d) only currency

7. The value of Aggregate Demand at an income level of '300 crore from the given data pertaining to an economy equals

Savings function $S = -10 + 0.20Y$

Planned investment = 100 crore

(a) 350 crore

(b) 450 crore

(c) 150 crore

(d) 250 crore

8. What will happen, when $AS < AD$?

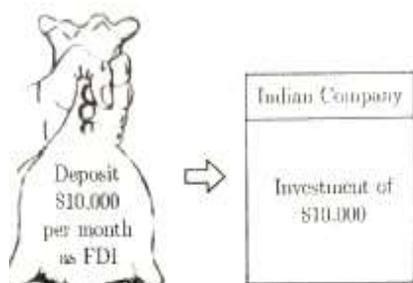
(a) The producers would plan same level of production.

(b) To clear unwanted stocks, the producers would plan a cut down in production.

(c) To rebuild the desire stocks, the producers would plan greater production.

(d) Both (a) and (c)

9. Observe the given figure carefully and choose the correct pair from the alternatives given below.



(a) Flow, Flow

(b) Stock, Stock

(c) Flow, Stock

(d) Stock, Flow

10. Suppose in a hypothetical economy, the income rises from Rs. 5,000 crore to Rs. 6,000 crore. As a result, the consumption expenditure rises from Rs. 4,000 crore to Rs. 4,000 crore. Marginal propensity to consume in such a case would be
- (a) 0.2 (b) 0.6 (c) 0.8 (d) 0.4
11. Find net value added at market price.

Contents	(in crore)
Output sold (units)	800
Price per unit of output	20
Excise	1,600
Import duty	400
Net change in stock	(-) 500
Depreciation	1,000
Intermediate cost	8,000

12. Differentiate between current and capital account of BoP.

OR

Giving reasons, explain whether the given statements are true or false.

- (i) Improvement in exchange rate of the country's currency is always beneficial for Balance of Payment (BoP).
- (ii) Rise in foreign exchange rate causes a rise in its supply.
13. Giving reasons, state whether the following statements are true or false.
- (a) There is an inverse relationship between the value of marginal propensity to save and investment multiplier.
- (b) When the value of average propensity to save is negative, the value of marginal propensity to save will also be negative.
14. Given the consumption function $C=100 + 0.75Y$ and total autonomous expenditure as Rs. 1,100, calculate:
- (a) Equilibrium level of income
- (b) Consumption at the equilibrium level of income
- (c) Investment multiplier
15. "Credit creation is inversely related to the reserve deposit ratio". Justify the given statement, using a hypothetical example.

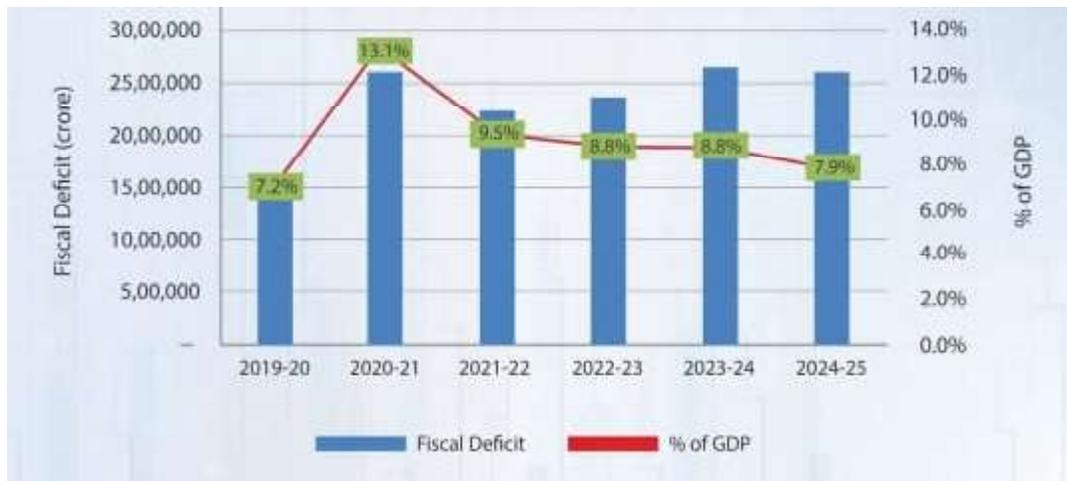
OR

Explain the 'standard of deferred payment' function of money. How has it solved the related problem created by barter?

16. Calculate GNP_{MP} from the following information:

	Rs. (in crores)
(a) Compensation of employees	4,000
(b) Rent	800
(c) Profits	1,500
(d) Undistributed earnings	400
(e) Mixed income of the self-employed	1,800
(f) Net imports	30
(g) Net investment	900
(h) Gross domestic fixed capital formation	1,000
(i) Inventory investment	50
(j) Interest	900
(k) Net indirect taxes	500
(l) Net factor income to abroad	(-) 80

17. (i) The graph given below highlights the situation of gross fiscal deficit in context of the Indian economy taken from RBI's Bulletin of 'Government Finances 2019-20 to 2024-25. In context of the figure given below, give the meaning of fiscal deficit and explain any two ways to deal with such a problem.



(ii) Tax rates on higher income group have been increased. Which economic value does it reflect? Explain.

OR

(i) Explain the role of government budget in fighting inflationary.

(ii) Explain why public goods should be provided by the government.

Section - B (Indian Economic Development)

18. Observe the image given below and identify the type of economic structure



- (a) Socialism (b) Capitalism (c) Mixed economy (d) None of these
19. When extraction is above the rate of regeneration of the resources and the wastage are outside the absorptive capacity of the environment, then environment fails to perform its one of the vital function. What is that function ?
- (a) It supplies resources (b) It assimilates waste
(c) It sustains life (d) It provides aesthetic services
20. The chief casual factor responsible for the the decline of handicrafts industry in India was
- (a) high tariff on export of raw materials from India
(b) high tariff on import of British goods into India
(c) heavy duties of Indian handicrafts products
(d) All of the above
21. **Statement I** : Self Help Groups (SHGs) have emerged to fill the gap in formed credit system.
Statement II : Formal credit system in India, is not only inadequate but also not fully integrated with rural social community development.
- In the light of the given statements, choose the correct alternative from the following
- (a) Both statements are false.
(b) Both statements are true.
(c) Statement I is true and Statement II is false.
(d) Statement I is false and Statement II is true
22. State the correct combination between the following columns.

	Column A		Column B
A	1850	(i)	Establishment of TISCO
B	1921	(ii)	Introduction of railways by the British
C	1907	(iii)	First railway bridge linking Bombay with Thane
D	1854	(iv)	The year of Great Divide

- (a) A-(i), B-(ii), C-(iii), D-(iv) (b) A-(iii), B-(iv), C-(i), D-(ii)
(c) A-(ii), B-(iv), C-(i), D-(iii) (d) A-(iv), B-(ii), C-(i), D-(iii)
23. Industries were reserved for the public sector under Industry Policy Resolution, 1956.
- (a) 15 (b) 2 (c) 17 (d) 21

24. The other name of Village and Small-Scale Industries Committee set-up in 1955 is
- (a) Narasimham committee (b) Hussain committee
(c) Lakdawala committee (d) Karve committee
25. The main aim of 'Great Leap Forward' (GLF) in China was to ensure rapid increase of
- (a) services (b) exports (c) agriculture (d) industries
26. **Assertion :** Modernisation implies adoption of new technology along with a change in the social and economic outlook.

Reason : Over the years, there has been a reduction in the gender wage parity and in the female labour force participation rate.

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

- (a) Assertion is true, but Reason is false.
(b) Assertion is false, but Reason is true.
(c) Both Assertion and Reason are true and Reason is the correct explanation of Assertion.
(d) Both Assertion and Reason are true, but Reason is not the correct explanation of Assertion.
27. includes quantitative aspects of per capita, GDP and the quality aspects of performance in health and education.
- (a) GDI (b) HDI (c) HD (d) None of these

28.



- (i) What does the image depict.
(ii) Interpret the given picture on account of current environmental challenges.
29. "Active government intervention is essential in education and health sectors in India". Do you agree with the given statement? Give reasons in support of your answer.

30.

Sector	1972-73	1983-84	1993-94	1999-2000	2011-2012
Primary	74.3	68.6	64	60.4	48.9
Secondary	10.9	11.5	16	15.8	24.3
Services	14.8	16.9	20	23.8	26.8
Total	100	100	100	100	100

- (i) Define worker-population ratio.
(ii) Analyse the trends in sectoral distribution of work force in India on the basis of data Trends in Employment Pattern (Sector-wise), 1972-2012 (in%).

31. Answer the following :
- (i) How had the nation immensely benefited from the green revolution technology in agriculture which permanently broke the stagnation in agriculture sector.
 - (ii) Explain two arguments against giving fertiliser and pesticide subsidies.
32. The traditional handicrafts industries were ruined under the British rule. Do you agree with this view? Give reasons in support of your answer.

OR

- (i) What do you understand by the term economy ?
 - (ii) How are economies classified in the economic system ?
33. (i) Unemployment in India is considered to be a chronic problem. Why ?
- (ii) What is meant by 'jobless growth'?
 - (iii) Why have Self Help Groups (SHGs) been established ?

OR

- (i) Enlist some problems faced by farmers during the initial years of organic farming.
 - (ii) "Human capital formation given birth to innovation, invention and technological improvements". Do you agree with the given statement? Support your answer with valid arguments.
34. Read the following text carefully and answer the given questions on the basis of the same and common understanding.

The 20th century included the inception of modern family planning, which restricted the fertility of hundreds of millions of couples around the world. Due to concerns about the world's unprecedented rate of population growth in the mid-20th century, some aid agencies and international organisations began to support the establishment of family planning programs.

About 40 years later, in the mid-1990s, large-scale family planning programs were active in 115 countries.

China's One Child Policy (OCP) is the largest among the World's family planning programs. In the 1970s, after two decades of explicitly encouraging population growth, policy-makers in China began enacting a series of measures to curb it. The OCP was formally initiated in 1979 and firmly established across the country in 1980.

It was the first time that family planning policy became formal law in China. Differing from birth control policies in many other countries, the OCP assigned a compulsory general 'one-birth' quota to each couple, though its implementation has varied considerably across regions for different ethnicities at different times. The policy affected millions of couples and lasted more than 30 years. According to the World Bank, the fertility rate in China dropped from 2.81 in 1979 to 1.51 in 2000. The reduced fertility rate is likely to have affected the Chinese labour market profoundly. In 1979, the Chinese government formally initiated the OCP to alleviate social, economic, and environmental problems such as the high unemployment rate and scarcity of land resources.

As opposed to many family planning policies in other countries, the OCP was compulsory rather than voluntary. As the name suggests, the policy restricted a couple to having only one child. However, there were some exemptions.

The birth quota varied according to residence (urban/rural) and ethnicity (Han/non-Han). Since Han ethnicity is by far the largest in China, accounting for 93% of the population, the policy mainly restricted the fertility of people with Han ethnicity. In general, Han households in urban regions were only allowed to have one child; while most households in rural areas could have a second child if their first was female (this exception is called the "one-and-a-half-child policy"). Meanwhile, in most regions, households of non-Han ethnicity were allowed to have two or three children, regardless of gender.

In March 1991, to show resoluteness, the Central Government listed family planning among the three basic state policies in China's Eighth Five Year Plan passed by the National People's Council. The Eighth Five Year Plan explicitly set a goal of reducing the natural growth rate of the country's population to less than 1.25% on average during the following decade. To achieve such a challenging objective, national leaders employed a "responsibility system" to induce subnational or provincial officials to set high fine rates.

(i) Enumerate the effects of the policy of one child norm in China.

(ii) Comment on the growth rate trends witnessed in China and India in the last two decades.