



# PRINCE ACADEMY

## OF HIGHER EDUCATION

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### BOARD SAMPLE PAPER - III (2025-26)

**SUBJECT : ECONOMICS (030)**

**CLASS - XII ARTS**

**TIME : 3:00 Hours**

**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. **Statement 1:** Consumption function depicts the behaviour of aggregate consumption expenditure with respect to level of income.  
**Statement 2:** The entire incremental income in a period will be converted to incremental consumption. Choose the correct option: 1  
(a) Statement 1 is true and Statement 2 is false.      (b) Statement 1 is false and Statement 2 is true.  
(c) Both Statements 1 and 2 are true.                      (d) Both Statements 1 and 2 are false.
2. Which of the following is not included in the estimation of National income? 1  
(a) Subsidised lunch given to factory workers  
(b) Retirement pension  
(c) Construction of a house  
(d) Travel allowance given to sales personnel of a company.
3. A company located in India receives a loan from a company located in Japan. How will this transaction be recorded in the balance of payments account? 1  
(a) credit side, current account                              (b) debit side, capital account  
(c) credit side, capital account                                (d) debit side, current account

**OR**

Which of the following items is included in the capital account of Balance of Payments of a country? 1

- (a) Interest and rent received from assets abroad
- (b) Income from banking and insurance services abroad
- (c) Remittances received from abroad
- (d) Sale of assets to foreigners

4. **Statement 1:** In India the currency issuance system followed is Managed Currency Standard or Paper Currency Standard.

**Statement 2:** All fiat money is legal tender money. 1

Choose the correct option:

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

5. If real GDP is 200 and price index (base = 100) is 110, then the nominal GDP will be ..... 1

- (a) 320
- (b) 181.8
- (c) 55
- (d) 220

6. The Investment Multiplier is given by the formula/formulae: 1

- (i)  $1 / (1 - \text{MPS})$
- (ii)  $\Delta Y / \Delta S$
- (iii)  $\Delta Y / (\Delta C - \Delta Y)$
- (iv)  $\Delta Y / (\Delta Y - \Delta C)$

Choose the correct option:

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

7. To tackle a period of inflation, the Central Bank will..... the reverse repo rate. 1

- (a) Increase
- (b) Decrease
- (c) Not make any changes to
- (d) First decrease and then increase

8. **Assertion (A) :** Money received from sale of shares is not included in domestic factor income.

**Reason (R) :** Sale or purchase of shares only causes change of ownership of financial assets.

Choose the correct option: 1

- (a) Both assertion and reason are true and the reason correctly explains the assertion.
- (b) Both assertion and reason are true but the reason does not explain the assertion.
- (c) Assertion is true but reason is false.
- (d) Assertion is false but reason is true.

9. Identify the incorrect statement from the following: 1

- (a) Devaluation of exchange rate takes place due to an official order from the government.
- (b) Under fixed exchange rate system there is constant burden on the Government to make policies to tackle balance of payments position.
- (c) Under Managed Floating exchange rate system the Central Bank of the country does not intervene to moderate fluctuations in exchange rate.
- (d) In the Flexible exchange rate system there can be wide fluctuations in the exchange rate.

10. **Assertion (A):** Money is accepted as a medium of payment in settlement of claims and discharge of debt.

**Reason (R):** Money has the dual qualities of **general acceptability** and **bearer of options**.

Choose the correct option: 1

- (a) Both assertion and reason are true and the reason correctly explains the assertion.
- (b) Both assertion and reason are true but the reason does not explain the assertion.

(c) Assertion is true but reason is false.

(d) Assertion is false but reason is true.

11. Categorise the following as final or intermediate good with reason: 3

(a) Coal purchased by a household.

(b) Soft drinks purchased by a college canteen for sale to students and staff.

(c) Computers purchased by a bank.

**OR**

'Machine purchased is always a final good' Agree or disagree? Give reasons for your answer. [3]

12. Read the following extract and answer the questions that follow:

If you are planning to purchase a house through a home loan, here are some tips to arrange the margin requirement money. You can liquidate your savings to arrange for the down payment. But, ensure that you leave enough savings behind for contingencies. Similarly, do not dig into your insurance policy or emergency fund to pay the margin money.

(i) What do you understand by 'Margin Requirement'? 1

(ii) During periods of inflation, how is the margin requirement used as an instrument of credit control? 2

13. Calculate National income using the Income method and the expenditure method: 4

Items	Rs (in crores)
(i) Compensation of employees	250
(ii) Imports	20
(iii) Mixed income of the self-employed	50
(iv) Gross fixed capital formation	120
(v) Private final consumption expenditure	550
(vi) Consumption of fixed capital	10
(vii) Net factor income to abroad	(-) 20
(viii) Indirect taxes	100
(ix) Change in stocks	20
(x) Subsidies	20
(xi) Operating surplus	350
(xii) Exports	10
(xiii) Government final consumption expenditure	60

14. (a) 'The Balance of payments account is always balanced' State whether TRUE or FALSE with reasons for your answer. 2

(b) (i) If Balance of Trade is showing a deficit of 10,000 and the value of exports is 15,000, calculate the value of imports. 1

(ii) Does a deficit in the Balance of trade necessarily indicate a deficit in the Current account in the Balance of Payments? 1

15. (i) Can the value of Average Propensity to Save be negative? If yes, when? 2  
(ii) Discuss the relationship between the Marginal Propensity to Consume and the Investment multiplier. 2

**OR**

- (i) If the marginal propensity to save is 20% and is constant at all levels of income and the autonomous consumption expenditure is Rs100crore, construct the consumption function and the savings function of this hypothetical economy. 2  
(ii) In a two sector economy, if the consumption is equal to income then the Average Propensity to save will be equal to one. Do you agree? Give reasons for your answer. 2
16. Read the following extract and answer the questions that follow:  
Fiscal Responsibility and Budget Management targets The Fiscal Responsibility and Budget Management (FRBM) Act, 2003 requires the central government to progressively reduce its outstanding debt, revenue deficit and fiscal deficit, and to give three year rolling targets for these. Note that the Medium-Term Fiscal Policy Statement has not provided rolling targets for budget deficits since 2021-22. Fiscal deficit is an indicator of borrowings by the government for financing its expenditure. The estimated fiscal deficit for 2025-26 is 4.4% of GDP.  
The estimated revenue deficit for 2025-26 is 1.5% of GDP. Revenue receipts are estimated to increase by 10.8% in 2025-26, while revenue expenditure is estimated to increase by 6.7%. Growth in revenue receipts is driven by income tax, GST and corporate tax, which are estimated to grow by 14.4%, 10.9% and 10.4% respectively. Primary deficit is estimated to be 0.8% of GDP in 2025-26.
- (i) What do you understand by the term 'Revenue deficit'? 2  
(ii) What is indicated by the presence of a glaring revenue deficit in the Economy? 2  
(iii) State two ways to prevent the formation of a large fiscal deficit. 2
17. Using a suitable hypothetical schedule show the working of the investment Multiplier in the economy. 6

**OR**

- (i) Explain the situation of deficient demand in an economy using a suitable graph. 4  
(ii) In an economy the aggregate consumption function is given by  $C = 500 + 0.9Y$  and the autonomous investment is  $I = Rs1000$ crore. ( $Y =$  National Income) calculate the following: 2  
(a) Equilibrium level of income  
(b) Value of the Investment Multiplier

**Section - B (Indian Economy Development)**

18. Which of the following statements correctly represents actions taken by the government towards liberalisation? 1  
P. Levying high tariffs to discourage import and promoting the consumption of domestic goods and services.  
Q. Devaluation of the rupee to encourage inflow of foreign exchange.  
R. Allowing for private banks to make decisions independent of the RBI restrictions.  
S. Fixing prices of certain industrial goods in order to support increased consumption of these goods to boost the manufacturing industry.
- (a) P and Q only      (b) P and R only      (c) Q and R only      (d) Q and S only
19. **Statement 1:** Human capital formation is incomplete without women empowerment. 1  
**Statement 2:** Human development will also be influenced by women empowerment.

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

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

20. **Assertion (A):** Rural Development lies in making flyovers, bridges, industries and malls in rural areas 1

**Reason (R):** Rural Development is an umbrella term which means overall development of rural areas.

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

21. Rohan, the owner of a land, grows only two crops in a year. He works for 8-9 months and for the rest of the year he remains unemployed. In the remaining part of the year, Rohan faces ----- unemployment. 1

- (a) Disguised (b) Frictional (c) Seasonal (d) Cyclical

22. Identify the correct statement from the following: 1

- (a) Restrictive policies of commodity production, trade and tariff pursued by the colonial government adversely affected the structure, composition and volume of India's foreign trade.  
 (b) Effective trade policies of commodity production, trade and tariff pursued by the colonial government favourably affected the structure, composition and volume of India's foreign trade.  
 (c) Liberal policies of commodity production, trade and tariff pursued by the colonial govt. adversely affected the structure, composition and volume of India's foreign trade.  
 (d) Restrictive policies of commodity production, trade and tariff pursued by the colonial government favourably affected the structure, composition and volume of India's foreign trade.

23. Identify the correct sequence of alternatives given in Column II by matching them with respective terms in Column I. 1

Column I	Column II
(i) Motive of the British De-industrialisation.	(a) To serve various colonial interests like mobilising the army shifting the raw materials.
(ii) Motive of British behind Infrastructural development	(b) To use export surplus to make payments for expenses incurred by an office set up by the colonial government in Britain to meet expenses on war fought by the British government and to import invisible items.
(iii) Motive of the British behind monopoly control over India's exports and imports	(c) To get raw materials from India at cheap rates and to sell finished British products in India at higher prices.

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

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

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

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

24. From the set of statements given in column I and Column II find the correct pair of statements. 1

Column I	Column II
(a) Great Leap Forward	i. 1958
(b) First five year plan of China	ii.1951
(c) Reforms in Pakistan	iii.1988
(d) Reforms in China	iv.1978

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

25. "Co-operative marketing societies have faced a downfall in the recent years'. Identify which of the following was behind its downfall. 1

- (a) Lack of co-ordination between processing and marketing societies.
- (b) Inefficient financial management.
- (c) Inadequate coverage of all the members.
- (d) None of the above

26. Identify which of the following alternatives indicate the incorrect components combination of Agriculture Marketing System: 1

- (a) Assembling, Storage, Processing, Packaging
- (b) Production, Assembling, Processing, Grading
- (c) Assembling, Processing, Packaging, Transportation
- (d) Processing, Packaging, Grading, Distribution.

27. In response to rising energy costs and environmental concerns, a nation decided to invest heavily in renewable energy technologies domestically instead of importing traditional energy sources. What positive impact is expected from this import substitution approach? 1

- (i) High energy costs for consumers
- (ii) Promotion of domestic green energy sector through targeted investments.
- (iii) Enhanced self-sufficiency in energy production and greater sustainability.
- (iv) Increased dependence on foreign technology for renewable energy implementation.

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

28. Interpret the picture given below on the basis of the given questions:

- (a) Discuss two economic consequences of the below depicted picture on land degradation regarding the rural livelihoods in India. 1
- (b) How does it conflict with the objectives of sustainable development? 1
- (c) Suggest two policy measures the government can take to reduce and promote environmental sustainability. 1



**OR**

28. Meena is a housewife. Besides taking care of household chores, she works in the cloth shop, which is owned and operated by her husband. Can she be considered as a worker? Why 3
29. Answer the following questions on the basis of the given data:
- (a) Comment upon the population growth rates among the three countries. 2
- (b) Which country is most skewed in sex ratio? 2

Country	Estimated Population (in million)	Annual Growth of Population (in %)	Sex Ratio
India	1311	1.2	929
China	1371	0.5	941
Pakistan	188	2.1	947

30. During the colonial period a number of socio-economic indicators were in a dilapidated state. List all the indicators that led to the worsening of India's demographic profile. 4

**OR**

Despite being the main occupation of about 85% of the country's population during British rule, agricultural sector continued to experience stagnation. Briefly explain the reasons responsible for the backwardness of Indian agriculture on the eve of independence.

31. (i) Rohit visited his uncle in Solan during summer vacation. He noticed that his uncle supplied plums at the rate of Rs.6 per kg from his orchard. He was surprised to find that plums are usually sold at Rs.35-40 per kg in his city. He realised that the long chain of middlemen leads to high profit margin. What do you suggest to solve this inefficiency? 2
- (ii) In recent years, people have become more aware of the harmful effects of chemical based fertilisers and pesticides used in traditional farming on their health. As an health aware citizen, what suggestions will you give to improve farming system in India? 2
32. (i) "United Nations Department of Economic and Social affairs indicated that India has overtaken China as the world's most populous country in the month of April 2023." Explain the impact of one child policy adopted by China in 1970. 2
- (ii) Discuss the impact of special economic zones on the economic growth of China. 2
33. (a) Clarify how the Green Revolution enabled the government to procure sufficient food grains to build stocks to be used during the Times of food shortages. 3
- (b) The policy of protectionism encouraged the growth of domestic industries but at the same time proved to be an impediment. Defend or refute the given statement with valid arguments. 3

**OR**

- (a) Under the liberalisation measures taken by the Government of India. regulation of industrial sector was extremely crucial. Reject or support the given statement with the valid arguments.
- (b) In the current, situation information technology plays a vital role in achieving food security in a nation like India. Justify the given statement.

34. (a) Ravi and Seema are both 25 years old. Ravi is a graduate with vocational skills, while Seema has no formal education. Discuss how their productivity might differ and what role human capital plays here. 2
- (b) Despite having a large population, India still faces challenges in human capital formation. Highlight any two such challenges. 2
- (c) A developing country like India invests heavily in education and health. Justify how this investment is considered a form of capital formation. 2