



PRINCE ACADEMY

OF HIGHER EDUCATION

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SAMPLE PAPER SET - 03 (2024-25)

SUBJECT : ECONOMICS (030)

Time : 03:00 Hours

CLASS - XII COMMERCE

M.M. : 80

General Instructions:-

1. This paper contains 20 Multiple Choice type questions of 1 mark each.
2. This paper contains 4 Short Answer type questions of 3 marks each to be answered in 60 to 80 words.
3. This paper contains 6 Short Answer type questions of 4 marks each to be answered in 80 to 100 words.
4. This paper contains 4 Long Answer type questions of 6 marks each to be answered in 100 to 150 words.

SECTION A

Macro Economics

Multiple Choice Questions

1x10=10

1. Read the following statements carefully:

Assertion (A): Involuntary unemployment exists when people who are willing and able to work at the prevailing wage rate cannot find employment.

Reason (R): Involuntary unemployment occurs due to insufficient aggregate demand in the economy, leading to an equilibrium below full employment.

Choose the correct option from those given below:

- (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, but 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.

2. Revenue receipts of the government consists of tax revenue, such as income tax and GST, and _____ revenue, which includes interest receipts and dividends from public sector enterprises.

Choose the correct option to fill in the blank.

- (a) Borrowed
- (b) Capital
- (c) Non-tax
- (d) Investment

3. According to the National Statistical Office, the Gross Domestic Product (GDP) at market price is Rs200 lakh crore, and Net Factor Income from Abroad (NFIA) is (-5) lakh crore. The value of the _____ would be 195 lakh crore.

Choose the correct option to fill in the blank.

- (a) Gross National Product (GNP)
- (b) Net Domestic Product (NDP)
- (c) Net National Product (NNP)
- (d) Net Domestic Product at Factor Cost

4. "Due to a surge in imports of electronic goods and a slowdown in exports, the country's current account deficit has widened to 2.5% of GDP in the first half of 2023. Policymakers are concerned about the sustainability of this deficit." Source: [Balance of Payments Statistics, 2023]
What does a current account deficit signify in the balance of payments?
- (a) Exports exceed imports (b) Imports exceed exports
(c) Capital inflows exceed outflows (d) Foreign exchange reserves are increasing
5. The impact of "Excess Demand" under Keynesian theory of income and employment, in an economy are: (choose the correct alternative)
- (a) decrease in income, output, employment and general price level
(b) decrease in nominal income, but no change in real output
(c) increase in income, output, employment and general price level
(d) no change in output/employment but increase in general price level.
6. "In the Union Budget 2023-24, the government has increased its allocation for healthcare and education sectors while reducing expenditure on defence. This shift aims to promote human capital development and achieve a more equitable distribution of income." Source: [Union Budget Highlights, 2023-24]
Which budgetary objective is the government primarily focusing on with these changes?
- (a) Reallocation of Resources (b) Economic Stability
(c) Managing Public Enterprises (d) Reducing Fiscal Deficit
7. In the Keynesian model, which of the following increase in equilibrium income and employment:
- (a) A decrease in government spending (b) An increase in interest rate
(c) An increase in aggregate demand (D) An increase in imports
8. In an economy where the marginal propensity to save (MPS) is 0.25, if there is a decrease in investment of Rs 200crore, what will be the total decrease in National Income?
- (a) Rs 800crore (b) Rs 200crore (c) Rs 250crore (d) Rs 500crore
9. **Statement 1:** Decrease in demand for foreign currency leads to currency depreciation.
Statement 2: Capital account is a part of Balance of Trade.
In the light of the given statements, choose the correct alternative 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 false (d) Both statements 1 and 2 are true
10. An Indian company sells machinery to Zambia. This transaction will be recorded on_____side of_____.
- (a) credit; current account (b) debit; current account
(c) debit; capital account (d) credit; capital account
11. **Calculate Net National Product at Market Price from the following data** 3
- | Items | Rs(in crores) |
|--|---------------|
| (i) Net factor income from abroad | (-) 5 |
| (ii) Private final consumption expenditure | 100 |
| (iii) Personal tax | 20 |
| (iv) Gross national disposable income | 170 |
| (v) Government final consumption expenditure | 20 |
| (vi) Corporation tax | 15 |
| (vii) Gross domestic capital formation | 30 |

(viii) Personal disposable income	70
(ix) Net exports	(-) 10
(x) Savings of private corporate sector	5
(xi) Net national disposable income	145

OR

Calculate national income from the given information:

Particulars	Rs. In crores
(i) Compensation of employees	1000
(ii) Rent	300
(iii) Profit	500
(iv) Corporation tax	150
(v) Dividend	100
(vi) Mixed income of self employed persons	800
(vii) Factor income received from abroad	250
(viii) Subsidies	30
(ix) Interest	400
(x) Indirect taxes	40

12. **Read the given text carefully and explain the basis of classifying taxes into direct and indirect tax with examples.** 3

To run a nation judiciously, the government needs to collect tax from the eligible citizens; paying taxes to the local government is an integral part of everyone's life, no matter where we live in the world. Now, taxes can be collected in any form such as state taxes, central government taxes, direct taxes, indirect taxes, and much more. For your ease, taxation is divided into two categories, viz. direct taxes and indirect taxes. This segregation is based on how the tax is being paid to the government.

13. "Trade Deficit must exist, if a country is facing situation of Current Account Deficit (CAD)." Defend or refute the above mentioned statement with valid arguments. 4

14. "As per recent data, annual inflation rate in India rose to 5.49% in September 2024 from 3.65% in the previous months. Mr. Shaktikanta Das, the governor of the Reserve Bank of India and Monetary Policy Committee (MPC) member said that "India cannot risk another bout of inflation"

In the light of given statement, explain two monetary policy instruments that would be used by RBI to control inflation. 4

OR

Read the following information carefully:

"The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI), recently increased the Repo Rate by 50 basis points. The Rate stands today at 5.40%, whereas Reverse Repo Rate was left unchanged at 3.35%."

Answer the following questions:

- (i) Identify the nature of the two monetary policy measures mentioned in the above text.
- (ii) Elaborate the likely economic rationale behind the increase in Repo Rate by the Monetary Policy Committee.

15. In an economy, every time increase in income, 80% is spent on consumption. If investment is rises by Rs. 500 crore, then calculate: 4
- (i) Increase in total income in the economy.
(ii) Increment in consumption expenditure.
(iii) Increment in saving.

16. **(A) Read the following text carefully and discuss briefly the relevant functions of the Central Bank, indicated.** 6

The Reserve Bank of India (RBI) is the central bank of India whose primary function is to manage and govern the financial system of the country. It is a statutory body established in the year 1935 under the Reserve Bank of India Act, 1934. The central bank regulates the issue and supply of the Indian rupee. It also looks after the central government's money. The central bank plays the role of the bankers' bank and regulates the banking sector. It also plays an important role in India's development story by supporting the government in its developmental projects and policies.

(B) Justify the following statements with valid arguments :

- (i) The Central Bank is the sole currency issuing authority of an economy.
(ii) Money serves as a measure of standard of deferred payments.
17. **Read the following text carefully :** 6

Decisions taken by factors of production in the production process often may affect the stakeholders indirectly. Such impacts at times are huge but are not accounted for, while estimating national income. Economists call them as externalities and they can be positive or negative. In this regard, many economists suggest carbon pricing as an important tool to ensure ecological balance. Carbon pricing tries to control greenhouse gas emissions by either placing a fee on emitting or offering subsidies on lesser emission. Through instruments like carbon tax, green cess, eco tax, etc. economists suggest moving towards greener technology eliminating such negative externalities. On the basis of the given text and common understanding, answer the following questions :

- (i) Define externalities.
(ii) Differentiate between positive and negative externalities.
(iii) Elaborate how and why carbon pricing should be promoted.

OR

(a) On the basis of the following data about an economy which constitutes of only two firms, find out Value added by firms A and B.

Items	(Rs in lakhs)
(i) Sales by firm A	300
(ii) Purchases from firm B by firm A	120
(iii) Purchases from firm A by firm B	180
(iv) Sales by firm B	600
(v) Closing stock of firm A	60
(vi) Closing stock of firm B	105
(vii) Opening stock of firm A	75
(viii) Opening stock of firm B	135
(ix) Indirect taxes by both firms	90

(b) If the Real Gross Domestic Product is Rs200 and the Nominal Gross Domestic Product is Rs210, calculate the Price Index (base = 100).

SECTION B

Indian Economic Development

Multiple Choice Questions

1x10=10

18. "During the colonial period, India's agricultural sector was plagued by low productivity and stagnation, primarily due to outdated farming techniques, lack of modern inputs, and exploitative land revenue systems like the Zamindari system imposed by the British. Despite the majority of the population being dependent on agriculture, the sector failed to generate sufficient surplus for investment in other areas of the economy."

Identify the primary cause of low agricultural productivity in India during the British colonial era.

- (a) Absence of irrigation facilities
 - (b) Exploitative land revenue systems and lack of technological advancement
 - (c) Shortage of agricultural labour
 - (d) Excessive focus on industrialization
19. Identify which of the following statements correctly describe sustainable development
- (a) Prioritizing economic growth over environmental concerns
 - (b) Ignoring social aspects in development
 - (c) Balancing economic, social, and environmental goals
 - (d) Depleting natural resources for immediate benefits
20. Read the following statements carefully:
- Statement 1:** Human capital refers solely to the educational qualifications of individuals.
- Statement 2:** Investments in health and education are crucial for human capital formation.
- In light of the given statements, choose the correct option from the following:
- (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
21. Which of the following was a common objective of India's Five Year Plans between 1950 and 1990?

Which of the following is correct ?

- (a) Promoting rapid industrialization
 - (b) Reducing agricultural output
 - (c) Increasing dependency on imports
 - (d) Decreasing public sector investments
22. **Assertion (A):** In 1982, India adopted social banking approach.
- Reason (R):** Moneylenders were charging high rate of interest from poor people and manipulate their account
- Choose the correct option from those given below:
- (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, but 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.

23. "In 1991, India faced a severe economic crisis characterized by high fiscal deficits, a depleting foreign exchange reserve, and rising inflation. In response, the government introduced the New Economic Policy focusing on liberalisation, privatisation, and globalisation to integrate the Indian economy with the global market"

Which of the following was a key component of the New Economic Policy of 1991?

- (a) Nationalization of all private enterprises
- (b) Reduction of trade barriers and encouragement of foreign investment
- (c) Increase in government subsidies for public sector units
- (d) Implementation of protectionist trade policies

24. Compared to its neighbours, India's economic growth has been ____ due to its ____ strategies, which include a mix of agriculture, industry, and services sectors.

Choose the correct option to fill up the blank.

- (a) slower; protectionist
- (b) comparable; diversified
- (c) higher; monopolistic
- (d) inconsistent; isolationist

25. The environment performs vital functions like assimilating waste, providing resources, and sustaining life. Choose the correct combination of vital environmental functions from the options below:

- (i) Provides resources for production.
- (ii) Absorbs waste generated by production and consumption activities.
- (iii) Regulates the climate.
- (iv) Ensures biodiversity.

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

26. Which of the following are key issues in rural credit and marketing systems in India?

- (i) Limited access to credit
- (ii) Poor market infrastructure
- (iii) High interest rates
- (iv) Lack of cooperative societies

Option :

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

27. Which of the following are characteristics of the informal sector in India?

- (a) High job security and benefits
- (b) Formal employment contracts
- (c) Regular working hours
- (d) Lack of job security and limited social benefits

28. Explain the concept of 'Privatisation'. Throw light on the "different status designated to the Public Sector enterprises (PSEs)". 3

OR

'After New Economic Policy Reforms Indian Govt. subsequently remove agricultural subsidies.' State some points in favour of agricultural subsidy.

29. How did the government ensure that the small farmers also benefit from the Green Revolution as the rich farmers? 3

30. (a) "There exists a positive correlation between human capital formation and economic growth of a nation." Justify the given statement with valid explanation.
- (b) Read the news headline given below and answer the question that follows: "Aatmanirbhar Bharat Rozgar Yojana (ABRY) was announced as a part of Aatmanirbhar Bharat 3.0 package to boost the economy, increase the employment generation in post recovery phase and to incentivize creation of new employment along with social security benefits and restoration of loss of employment during COVID-19 pandemic."
- (i) What will happen when the rate of GDP growth is increased without employment generation?
- (ii) Do you think that in last 50 years, employment generated in the country is commensurate with the growth of GDP in India? How? 4

OR

- (a) What is seasonal unemployment? Suggest measures for reducing this kind of unemployment in India.
- (b) What role can the government play in human capital formation in India?
31. On the basis of the data given below, discuss the shift in output and employment sector wise, in India and China: 4

Sectoral share of Employment and GVA (%) in 2018 - 2019						
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
Service	54	52	57	32	46	35
Total	100	100	100	100	100	100

32. Trade and Investment Policy of India had undergone comprehensive changes in the post reforms period of 1991.
- Do you agree with the given statement ? Justify your answer with any two valid arguments. 4
33. State and elaborate whether the following statements are true or false, with valid arguments : 6
- (i) Organic Farming has essentially become the need of the hour.
- (ii) In the recent past, the Government of India has taken crucial steps, like Jan-Dhan Yojana, for efficient allocation of financial resources.
- (iii) Rural credit is the only lingering challenge of rural development.

OR

Gender disparities persist in human capital development, impacting access to education, healthcare, and economic opportunities. Women and girls often face barriers such as societal norms, discrimination, and lack of resources, limiting their potential for skill enhancement and economic empowerment. Gender gaps in education result in lower literacy rates, limited access to higher education, and fewer opportunities for skill development among women. Moreover, disparities in healthcare access and reproductive rights further exacerbate gender inequalities, affecting women's well-being and workforce participation. Addressing gender disparities requires targeted interventions such as gendersensitive education policies, affirmative action programs, and initiatives to promote women's leadership and entrepreneurship. Empowering women and girls with equal access

to education, healthcare, and economic opportunities is essential for achieving inclusive and sustainable human capital development.

(a) How are the women affected due to gender disparities prevail in the society?

(b) Suggest some ways to address gender disparities.

34. **Read the following text carefully :**

6

In the contemporary world with a lot of sustainable development concerns, green growth and net zero emissions are two important concepts which are generally discussed together. These two concepts are essential for the future of the Earth, as by working together on them we can create a more sustainable future for ourselves and for the generations to come.

Green growth refers to, the economic growth that is achieved in a way that minimizes environmental impact, whereas, net zero emission is the state of achieving balance between anthropogenic emission of greenhouse gases and removal of such emissions from the atmosphere

There exists a robust connection between the two concepts :

(1) Green growth can help to reduce greenhouse gas emissions, which is essential for achieving net zero emissions.

(2) Green growth can help to create jobs and boost economic growth, which can help to make it more affordable for countries to invest in net zero emissions technology.

A nation can do a lot to promote these two factors together, like :

(a) Investing in renewable energy sources which do not produce greenhouse gases.

(b) Adopting energy efficient measures, such as insulation and other such appliances which can help to reduce energy consumption.

(c) Altering transportation habits, like adopting walking, biking and using public transportation as they are lower-carbon ways to travel.

On the basis of the given text and common understanding, answer the following questions :

(i) State the meaning of green growth and net zero emissions.

(ii) Discuss briefly the interconnection between green growth and net zero emissions.

(iii) Illustrate any one factor to promote net zero emission.
