



PRINCE ACADEMY

OF HIGHER EDUCATION

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BOARD SAMPLE PAPER- II (2025-26)

SUBJECT : ECONOMICS (030)

Time : 03:00 Hours

CLASS - XII COMMERCE

M.M. : 80

General Instructions:

Read the following instructions carefully and follow them:

(i) This question paper contains 34 questions. All questions are compulsory.

(ii) This question paper contains two sections:

SectionA: Macro Economics

Section-B: Indian Economic Development

(iii) Attempt all parts of question together.

(iv) There is no overall choice in the question paper. However, an internal choice has been provided in few questions. Only one of the choices in such questions has to be attempted.

SECTION-A

Macroeconomics

Multiple Choice Questions

1×10=10

1. **Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative given below:**

Assertion (A) : Before reaching the Break-Even level of income, the value of Average Propensity to Consume (APC) is greater than one.

Reason (R) : The Average Propensity to Consume (APC) is the ratio of the total consumption and total income.

Alternatives:

(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 and Reason (R) is false.

(d) Assertion (A) is false and Reason (R) is true.

2. **Read the following statements carefully :**

Statement 1 : Primary deposits are the cash deposits by general public with commercial banks.

Statement 2 : Secondary deposits are those deposits which arise on account of credit provided by the commercial banks to the people.

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

3. **Read the following news report carefully :**

"The Central Bank has imposed fine on Hisar urban cooperative Ltd. and Andaman and Nicobar State Cooperative Bank Ltd. for violation Of banking norms"

According to the given report, identify the function of the central bank.

- (a) Issue of currency (b) Banker to the public
(c) Banker to the Government (d) Banker's Bank

4. If in an economy, the value of Investment Multiplier is 5 and dissavings are (-)100 crore, the relevant savings at income level of Rs1,400 crore would be Rs_____ crore.

(Choose the correct alternative to fill up the blank)

- (a) 80 (b) 180 (c) 140 (d) 240

5. **Read the following statements : Assertion (A) and Reason (R). Choose the correct alternative from those given below :**

Assertion (A) : Voluntarily unemployed people are those able bodied people who are not willing to work at the prevailing wage rate.

Reason (R) : There exists zero involuntary unemployment at full employment level of equilibrium.

Alternatives :

- (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 and Reason (R) is false.
(d) Assertion (A) is false and Reason (R) is true.

6. Identify which of the following statements is **incorrect** with reference to an economy.

- (a) Excess of Gross National Product (GNP) over Gross Domestic Product (GDP) is possible.
(b) Excess of Gross Domestic Product (GDP) over Gross National Product (GNP) is possible.
(c) Equality between Gross National Product (GNP) and Gross Domestic Product (GDP) is possible.
(d) Sum of Gross National Product (GNP) and Gross Domestic Product (GDP) is always equal to zero (0).

7. Identify which of the following will appear on the debit side in the Capital Account of India's Balance of payments.

- (a) An Indian sending remittances from England
(b) Investing in assets abroad by Indians
(c) An American company purchasing shares of an Indian company
(d) Export of spices from India

8. **Read the following statements carefully :**

Statement 1 : Economic territory and political frontier of a nation are one and the same thing.

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) 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.

9. In the calculation of national income accounting, the value of _____ goods is deliberately excluded to prevent the issue of double counting of goods and services within the economy.
(Choose the correct option to fill in the blank.)
(a) Final (b) Intermediate (c) Capital (d) Consumer
10. "Considering the depreciation of Indian currency (₹) in the international market, the Reserve Bank of India (RBI) has decided to purchase Indian currency (₹) in the open market."
This represents _____ exchange rate system.
(a) fixed (b) flexible (c) managed floating (d) manipulated
11. (i) Explain the concept of circular flow of income in a two-sector economy. 1
(ii) Gross Domestic Product (GDP) and sum of Gross Value Added (GVA) in an economy are always equal. Justify the given statement with valid arguments. 2

OR

- (i) "Gross Domestic Product (GDP) Deflator is represented by the ratio of Real GDP and Nominal GDP"
Do you agree with the given statement? Justify your answer with valid arguments and a hypothetical numerical example. 2
(ii) State the meaning of Operating Surplus 1
12. **Read the following information carefully :**
"The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI), increased the Repo Rate by 50 basis points.
The Rate stands 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 1
(ii) Elaborate the likely economic rationale behind the increase in Repo Rate by the Monetary Policy Committee. 2
13. (i) For a hypothetical economy, the government incurs an additional investment expenditure of Rs5,000 crore. Assuming that the Marginal Propensity to Save (MPS) becomes half from its present level of 20%, estimate the change in income due to this fall in Marginal Propensity to Save (MPS). 3
(ii) State the meaning of autonomous investment. 1
14. On the basis of the given data, estimate the value of National Income : 4

S.No.	Items	Amount (in Rs crore)
(i)	Government Final Consumption Expenditure	110
(ii)	Private Final Consumption Expenditure	200
(iii)	Gross Domestic Fixed Capital Formation	30
(iv)	Net Exports	(-40)
(v)	Increase in Stock	20
(vi)	Consumption of Fixed Capital	15
(vii)	Indirect Taxes	60
(viii)	Subsidies	15
(ix)	Net Factor Income from Abroad	(-40)

15. (A) Discuss briefly the determination of exchange rate under the flexible exchange rate system. 2
(B) Explain any three major functions of foreign exchange market. 2

OR

(A) Name the broad categories of transactions recorded in the capital account of the balance of payments account 2

(B) State on which side of capital account/ current account will the following transactions be recorded and why? 2

(i) Interest on loan received from Nepal

(ii) Import of mobile phones from China

16. **Read the following text carefully :** 4

(i) Government expenditure is broadly classified into revenue and capital expenditure based on its nature and impact on the economy. Revenue expenditure includes spending that does not create assets or reduce liabilities, while capital expenditure involves investments that generate assets or reduce liabilities. Understanding this distinction helps in analysing the economic implications of government spending.

Giving reasons, categorise the following into revenue and capital expenditure.

(a) Subsidies

(b) Grants given to state governments

(c) Repayment of loans

(d) Construction of school building

(ii) State whether the following statements are true or false. Support your answer with reason. 2

(a) Taxation is an effective tool to reduce the inequalities of income.

(b) Revenue deficit increases when government fails to recover loans forwarded to different nations.

OR

(i) Suppose the following data is presented for an imaginary economy: 4

S.No.	Items	Amount (in Crore)
(i)	Tax Receipts	1,200
(ii)	Revenue Expenditure	3,700
(iii)	Non-Tax Receipts	2,000
(iv)	Recovery of Loans	145
(v)	Capital Expenditure	500
(vi)	Disinvestment	120
(vii)	Interest Payments	1,070

Calculate Revenue Deficit and Fiscal Deficit

(ii) The Government, under Ujjwala Yojana, is providing free LPG kitchen gas connections to the families 'below the poverty line'. What objective the government is trying to fulfil through the government budget and how? Explain. 2

17. (i) Read the following text carefully from 'The Economic Times' dated 8th June, 2023 :

"The Reserve Bank of India (RBI) rate setting panel unanimously decided to keep the benchmark lending rate unchanged at 6.5%. The committee voted to remain focused on the withdrawal of accommodating monetary Policy"

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

(a) Identify and discuss the economic issue indicated in the above text 1

(b) Discuss the likely consequence on money supply if the rate setting panel would have decreased the said rate. 2

(ii) Read the following text carefully : 3

The adjustment mechanism balances economic imbalances. When aggregate demand exceeds supply, producers increase output to meet demand. Similarly, when ex-ante investment is lower than savings, interest rate adjustments or government measures restore equilibrium. Discuss the working of the adjustment mechanism in the following situations.

- (a) Aggregate demand is greater than aggregate supply.
- (b) Ex-ante investment are lesser than Ex-ante savings.

SECTION B

Indian Economic Development

Multiple Choice Questions

1×10=10

18. Mini-hydel plants are good for the environment because :

- (i) they generate electricity only for local areas.
- (ii) they do not change the land use pattern.
- (iii) they rely on the perennial streams.

(Choose the correct alternative)

Alternatives :

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

19. Multiple reasons for economic slowdown and re-emergence of poverty in Pakistan may be enumerated

Identify which of the following might not be one of them.

- (i) Rising dependence on foreign loans
- (ii) Stable macroeconomic indicators
- (iii) Unstable agricultural growth

Alternatives :

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

20. **Read the following statements : Assertion (A) and Reason (R). Choose the correct alternative from those given below :**

Assertion (A) : The agricultural sector under the British rule was primarily the base of the sectoral growth of India.

Reason (R) : British rulers wanted to take maximum advantage of the Indian agricultural output, for growth of industries in England.

Alternatives :

- (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 and Reason (R) is false.
- (d) Assertion (A) is false and Reason (R) is true.

21. **Read the following statements carefully :**

Statement 1 : Economic growth means the increase in real national income of a country.

Statement 2 : Human capital formation and Human development are one and the same concepts.

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

22. **Read the following statements : Assertion (A) and Reason (R). Choose the correct alternative given below :**

Assertion (A) : Goods and Services Tax (GST) was implemented by the Government of India on 8th November, 2016.

Reason (R) : GST was introduced to implement a unified indirect tax system in India.

Alternatives :

- (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 and Reason (R) is false.
- (d) Assertion (A) is false and Reason (R) is true.

23. _____ farming is a system that is helpful in restoring, maintaining and enhancing the ecological balance.

(Choose the correct alternative to fill in the blank)

- (a) Conventional
- (b) Organic
- (c) Chemical
- (d) Multi-layered

24. **Read the following statements : Assertion (A) and Reason (R). Choose the correct alternative from those given below :**

Assertion (A) : In the recent past, Indian economy has been facing the problem of jobless growth.

Reason (R) : Jobless growth refers to a situation where an economy is able to produce more goods and services without generating additional employment.

Alternatives :

- (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 and Reason (R) is false.
- (d) Assertion (A) is false and Reason (R) is true.

25. The institutional structure of rural banking today consists of a set of multi-agency institutions except the _____ .

(Choose the correct alternative to fill in the blank)

- (a) Commercial Banks
- (b) Regional Rural Banks (RRBs)
- (c) Land Development Banks (LDBs)
- (d) Private Money-lenders

26. The phenomenon of informalisation refers to the increasing number of _____ in the _____ sector, often leading to challenges in labour rights and job stability.

(Choose the correct option to fill up the blank.)

- (a) formal workers; manufacturing
- (b) skilled professionals; public sector
- (c) corporate employees; services
- (d) workers; informal

27. **Read the following statements carefully:**

Statement 1: Agricultural diversification aims to reduce dependence on a single crop by introducing multiple crops.

Statement 2: Organic farming is unrelated to sustainable rural development.

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.

28. "Dr Khurana, a dentist, ran his clinic in an economically backward area. He was earning a comparatively low income. So, he decided to move to a city and spent a huge amount for the same. Identify and explain the type of expenditure incurred by Dr. Khurana, which directly contributed to the process of human capital formation. 3

OR

In India, National Education Policy 2020 has stressed a lot on in-service training of the teachers

- (i) Identify the source of Human Capital Formation (HCF) indicated in the aforesaid statement. 1
 - (ii) Elaborate the likely impacts of this source on the economic development of India. 2
29. Defend or refute the following statement with valid explanation. 3
- 'Chinese structural reform process have always been appreciated for its success with no failures'.
30. State whether the following statements are true/false, with valid arguments : 4
- (a) Economic participation of women as homemakers is not accounted for in the Gross Domestic Product
 - (b) Indian economy has shown excellent shift from informal sector to formal sector in the recent past

OR

- (a) State any two problems faced by farmers during the initial years of organic farming.
 - (b) 'The reform process initiated in the early 1990s resulted in a decline in the number of workersemployed in the formal sector.' Critically analyse.
31. 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. 4
- (a) Explain the consequences of one-child policy adopted by China in the 1970s.
 - (b) Discuss the impacts of Special Economic Zones (SEZs) on the economic growth of China.
32. (i) Comment upon any two salient features of demographic conditions of India on the eve of Independence.
- (ii) What was the two-fold motive behind the systematic de-industrialisation effected by the British in pre-independent India? 4
33. (A) Every coin has two sides debate over farm subsidies is one such classic example of the same. Justify the given statement with two arguments each in favour of and against the continuation of the farm subsidies. 4
- (B) State whether the following statements are true or false, with valid arguments. 2
- (i) It was quintessential for a developing country like India to pursue the goal of self-reliance on the eve of independence.

(ii) Indian government followed inward looking trade policy before initiation of economic reforms in 1991.

OR

Read the following text carefully and answer the given questions on the basis of the same and common understanding

In the late 1980s, government expenditure began to exceed its revenue by such large margins that meeting the expenditure through borrowings became unsustainable. Prices of many essential goods rose sharply. Imports grew at a very high rate without matching growth of exports. Foreign exchange reserves declined to a level that was not adequate to finance imports for more than two weeks. There was also not sufficient foreign exchange to pay the interest that needs to be paid to international lenders. Also, no country or international funder was willing to lend to India.

India approached to World Bank and the International Monetary Fund (IMF), and received \$7 billion a loan to manage the crisis. India agreed to the conditionalities of World Bank and IMF and announced to New Economic Policy (NEP). This new set of policy measures changed the direction of our development strategies.

(i) What does the New Economic Policy of 1991 means in context of the Indian economy? Enlist some reasons for its introduction? 3

(ii) "IMF and World Bank granted \$7 billion loan to India with a major restriction to follow a closed economy model." Do you agree with the given statement? Justify. 3

34. (i) "The opportunity costs of negative environmental impacts are high". Defend or refute the given statement with valid reasons. 3

(ii) "Indiscriminate felling of trees led to environmental problems." Do you agree? Give reason to justify your answer. 3
