Class XII
Post Mid-Term Examination 2025-26
Sub: Economics (030)
Set B2

Time: 3 hours **Max 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 of 1 mark each.
3. This paper contains 4 Short Answer Questions of 3 marks each to be answered in 60 to 80 words.
4. This paper contains 6 Short Answer Questions of 4 marks each to be answered in 80 to 100 words.
5. This paper contains 4 Long Answer Questions of 6 marks each to be answered in 100 to 150 words.

Q.No.	SECTION A – MACRO ECONOMICS	Marks
1	On the basis of the following hypothetical data, the percentage change in Real Gross Domestic Product (GDP) in the year 2022-23, using 2020-21as the base year is ………………….	1

Year	Nominal GDP	Nominal GDP adjusted to base year prices
2020-21	3,000	4,000
2022-23	4,000	4,500

(a) 30%
(b) 25.5%
(c) 15%
(d) 12.5%

Q.No.	SECTION A – MACRO ECONOMICS	Marks
2	Choose the correct alternative to complete the given schedule:	1

Round I	Deposits	Loans (80%)	Reserve Ratio (20%)
I	5,000	4,000	(i)
II	4,000	(ii)	800
III	…	…	…
IV	…	…	…
Total	(iii)	(iv)	5,000

	Alternatives: (a) 1,000, 800, 20,000, 25,000 (b) 5,000, 3,200, 25,000, 20,000 (c) 1,000, 3,200, 25,000, 20,000 (d) 1,000, 800, 20,000, 25,000	
3	Read the following statements carefully and choose the correct alternative from the following: **Statement 1:** Demand deposits form a part of M_1 measure of money supply & are payable on demand by the commercial banks. **Statement 2:** High powered money includes only the cash reserves of the commercial banks. Alternatives: (a) Both the statements are true. (b) Both the statements are false. (c) Statement 1 is true and Statement 2 is false. (d) Statement 2 is true and Statement 1 is false.	**1**
4	Read the following statement: Assertion (A) and Reason (R). Choose one of the correct alternatives given below: **Assertion (A)**: Before reaching the Break-Even level of income, the value of APC is less than one. **Reason (R):** Average Propensity to Consume falls continuously with increase in 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 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.	**1**
5	Match the statements given under A with the correct options given under B:	**1**

Column B	**Column B**
(i) Borrowings from IMF	(a) Revenue Expenditure
(ii) Expenditure on collection of taxes	(b) Revenue Receipt
(iii) Interest received on loans	(c) Capital Receipt
(iv) 10% shares purchased by Government in a private company	(d) Capital Expenditure

	(a) i-(a), ii-(b), iii-(d), iv-(c) (b) i-(c), ii-(a), iii-(b), iv-(d) (c) i-(d), ii-(c), iii-(a), iv-(b) (d) i-(b), ii-(c), iii-(a), iv-(d)	
6	State true or false with valid reason. 'Fiscal deficit is necessarily inflationary in nature.'	**1**
7	Suppose that, the Balance of Trade of a nation exhibits a deficit of Rs. 72,000 crore. The import of visible items are six times of the exports of visible items. The value of imports of visible items would be Rs. …………. (a) Rs. 72,000 crore (b) Rs. 86,400 crore (c) Rs. 84,000 crore (d) Rs. 90,000 crore	**1**
8	'Many domestic companies have started importing advanced machinery and technology from abroad for their production processes.' This will lead to …………….. & …………….. (a) Increase in demand of foreign currency; Appreciation of domestic currency (b) Increase in supply of foreign currency; Depreciation of domestic currency (c) Increase in supply of foreign currency; Appreciation of domestic currency (d) Increase in demand of foreign currency; Depreciation of domestic currency	**1**
9	'Net external commercial borrowings to India recorded an outflow of US $ 0.4 billion in the second quarter of 2022-23' The above transaction will be recorded on ……. side of ……. account of Balance of payments of India. (a) Credit, Current (b) Debit, Current (c) Debit, Capital (d) Credit, Capital	**1**
10	Identify which of the following is not one of the merits of flexible exchange rate system.	**1**

	(a) Automatic adjustment in balance of payments (b) Encourages speculation in foreign exchange market (c) No need for huge foreign exchange reserves (d) Optimum utilization of resources	
11	For a hypothetical economy, the government incurs an additional investment expenditure of Rs 2,000 crores. Explain the working process of the increase in investment on the National Income, assuming that the ratio of Marginal Propensity to Consume (MPC) & Marginal Propensity to Save (MPS) is 4:1. **OR** (a) For a hypothetical economy, assuming there is an increase in Marginal Propensity to Consume (MPC) from 75% to 90% and change in investment to be Rs. 1,000 crore. Calculate the increase in income due to change in Marginal Propensity to Consume (MPC). (b) Suppose consumption function for an economy C = 80 + 0.75Y & the investment expenditure is Rs. 200 crore. Estimate the value of equilibrium level of income. Also, find the find the values of Consumption & Saving at equilibrium level of income.	**3** **1.5** **1.5**
12	'Amid concerns of liquidity crunch in small banks, the RBI cut CRR to boost available funds, provided emergency credit lines, and facilitated seamless clearing of interbank dues through RTGS.' In the context of the above statement, identify and explain the function of the Central Bank.	**3**
13	From the following data relating to government budget, calculate: (i) Revenue Deficit (ii) Primary Deficit	**4**
14	From the following data, calculate: (a) GDP_{MP} by Income Method (b) Closing Stock	**2** **2**

Table for Question 13:

S.No.	Items	Rs. In Crores
1	Tax Receipts	1,200
2	Revenue Expenditure	3,700
3	Non-Tax Receipts	2,000
4	Recovery of loans	145
5	Capital expenditure	500
6	Disinvestment	120
7	Interest payments	500

S.No.	Items	Amount (Rs. In crores)
(i)	Private final consumption expenditure	450
(ii)	Rent	120
(iii)	Government final consumption expenditure	50
(iv)	Indirect Taxes	60
(v)	Interest	150
(vi)	Mixed Income of self employed	20
(vii)	Consumption of fixed capital	30
(viii)	Opening Stock	10
(ix)	Gross fixed capital formation	300
(x)	Compensation of employees	200
(xi)	Net Exports	(-) 10
(xii)	Net factor income from abroad	(-) 10
(xiii)	Subsidies	10
(xiv)	Profit	250

OR

From the following data, calculate:

(a) Gross Domestic Capital Formation **2**
(b) Operating Surplus **2**

S.No.	Items	Amount (Rs. In crores)
(i)	National Income	22,100
(ii)	Wages & Salaries	12,000
(iii)	Private final consumption expenditure	7,200
(iv)	Net Indirect Taxes	700
(v)	Gross Domestic Capital Formation	**?**
(vi)	Consumption of fixed capital	500
(vii)	Government final consumption expenditure	6,100
(viii)	Mixed income	4,800
(ix)	Operating Surplus	**?**
(x)	Net Exports	3,400
(xi)	Rent	1,200
(xii)	Net Income from abroad	(-)150

Read the following passage and the answer Q.No. 15 on the basis of the same.

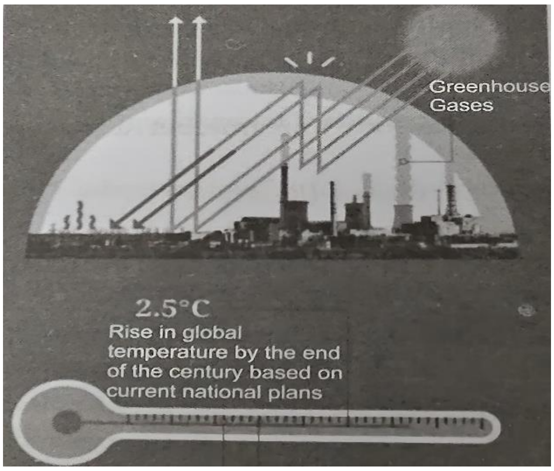
The GST reforms, which kicked in from Monday (September 22, 2025), will lead to a saving of 13% in the household bills for groceries and daily essentials. Many items that were earlier taxed at 12 % or 18 % or 28 % were moved to lower slabs (5 %) or made exempt / zero-rated. At the same time, a 40 % slab was introduced for “super luxury / sin” goods. According to government estimates, stationery, clothing, footwear and medicines purchases would bring

15 (i)	in savings in the range of 7-12%, while the savings would go up to 18% in the case of individual health and life insurance policies. The restructured GST rate will make everyday items cheaper, thereby positively affecting the lives of the poor, middle and new middle class. Prime Minister Narendra Modi on Monday said the next generation GST reforms will boost savings and directly benefit every section of society, as he asserted that it is imperative to walk on the path of self-reliance to achieve the collective goal of Viksit Bharat by 2047. As part of the reform, industries such as automobiles, consumer durables, and FMCG were expected to benefit from increased demand, while others (states, or sectors dependent on indirect tax revenue) would face challenges. Some states expressed concern of significant revenue loss due to the cuts, and demanded compensation or central support. Identify and explain the government budget objective pursued through recent GST cuts on essentials.	2
(ii)	If the government transfers funds to compensate states for GST revenue losses, then these funds are recorded as …………… in government budget. *(fill in the blanks) (Capital expenditure/ Revenue expenditure*)	1
(iii)	'The government simplified the GST by removing 12% and 28% slabs and adding a 40% slab for luxury goods.' This reform can be seen as: (a) An increase in the direct tax base (b) A step toward a more progressive indirect tax structure (c) Replacement of GST with customs duties (d) Increase in direct transfer payments	1
16	'In June 2024, India's Wholesale Price Index (WPI) inflation surged to a 16-month high driven by higher consumer demand and increased government expenditure.' (a) Identify and explain the given situation in the above statement with a diagram. (b) State its effect on output, employment & general price level. (c) Discuss any 2 quantitative monetary measure to tackle the above situation.	3+1+2
17	(a) 'Equilibrium rate of exchange is determined when the demand for foreign exchange is equal to its supply.' Explain the above statement with the help of a suitable diagram. (b) 'A country deliberately keeps the value of its currency low under the managed floating system.' Discuss briefly how will it affect the exports of the country.	4 2

	OR (a) 'Har Ghar Swadeshi' campaign has been launched by the government to promote Indian-made products across the country, leading to a reduced preference for foreign products.' Presuming other factors being constant, discuss the effects of the given statement on foreign exchange rates with reference to Indian Economy with the help of a suitable diagram. (b) What are official reserve transactions? Explain their importance in the Balance of Payments.	**4** **2**
	SECTION B – INDIAN ECONOMIC DEVELOPMENT	
18	Read the following statement: Assertion (A) and Reason (R). Choose one of the correct alternatives given below: **Assertion (A)**: Foreign Investment limit in banks was raised to around 74% under the financial sector reform. **Reason (R):** There was a change in the role of Reserve Bank of India from facilitator to regulator. 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 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.	**1**
19	What kind of tariff policy was needed to protect domestic producers from foreign competition, after independence? (a) High import tariffs, reduced import quota (b) High import tariffs, increased import quota (c) Low import tariffs, reduced import quota (d) Low import tariffs, increased import quota	**1**
20	Which of the following statements is true with respect to state of education in India? (a) Expenditure per student at elementary level is higher than that of tertiary level of education. (b) No education cess has been imposed by the government of India.	**1**

	(c) Tapas Majumdar Committee was appointed by Indian Government in 2009 (d) Elementary education takes a major share of the total educational expenditure in India.	
21	Read the following statements carefully and choose the correct alternative from the following: **Statement 1:** Under the British rule, discriminatory tariff policy was pursued with a view to protect the Indian industry. **Statement 2:** Commercialisation of agriculture under the British rule was encouraged to benefit the farmers. Alternatives: (a) Both the statements are true. (b) Both the statements are false. (c) Statement 1 is true and Statement 2 is false. (d) Statement 2 is true and Statement 1 is false.	**1**
22	State one example of emerging alternative channels available for agriculture marketing in India.	**1**
23	Arrange the following events in chronological order and choose the correct answer from the given alternatives: (i) Operation Flood (ii) Nationalization of banks (iii) Establishment of NABARD (iv) Saansad Adarsh Gram Yojana (SAGY) Alternatives: (a) (i), (ii), (iii), (iv) (b) (ii), (i), (iii), (iv) (c) (iii), (i), (iv), (ii) (d) (iv), (ii), (iii), (i)	**1**
24	Which of the following was NOT the benefit accruing from Golden Revolution? (a) Increase in the income of the farmers (b) Increase in production of milk & related products (c) Increase in production & exports of fruits & vegetables (d) Employment for women in rural areas	**1**
25	Identify which of the following alternatives indicate the incorrect components combination of Agriculture Marketing System?	**1**

	(a) Assembling, Storage, Processing, Packaging (b) Assembling, Processing, Packaging, Transportation (c) Production, Assembling, Processing, Grading (d) Processing, Packaging, Grading, Distribution	
26	Read the following statements carefully and choose the correct alternative from the following: **Statement 1:** In the late 1990s India experienced a widening gap between the growth of GDP & employment generation. **Statement 2:** In case rural areas, regular salaried employees account for second major source of employment. Alternatives: (a) Both the statements are true. (b) Both the statements are false. (c) Statement 1 is true and Statement 2 is false. (d) Statement 2 is true and Statement 1 is false	**1**
27	Rate of unemployment = ……………………. (a) (Number of persons unemployed / Size of labour force) *100 (b) Number of persons unemployed / Size of labour force (c) Size of labour force / Number of persons unemployed (d) (Size of labour force / Number of persons unemployed) *100	**1**
28	Explain the need for different forms of government intervention in education & health sectors.	**3**
29	'Navratna policy has facilitated the maintenance, promotion & disinvestment of Public sector Undertakings (PSUs)'. Justify the given statement with valid explanation. **OR** 'Goals of equity was fully served by abolition of intermediaries in agriculture in the post independent period of India. Do you agree with the given statement? Give reasons.	**3** **3**
30 **(a)** **(b)**	'The supply-demand reversal of environmental resources account for the current environmental crisis.' Justify the statement with valid reasons. Discuss any two serious adverse environmental consequences of development in India.	**2** **2**

	OR	
(a)	Identify & explain the situation depicted in the given picture below on account of current environmental challenges. Discuss its harmful effects. 	**2**
(b)	State and discuss any two strategies involved in attaining sustainable development in India.	**2**
31	i. Study & analyze the following table given below showing status wise trends in employment from 1972-73 to 2017-18. ii. What do these trends suggest about the structural transformation in the Indian labour market?	**3+1**

Trends in Employment (Status-wise)

Status	**1972-73**	**1993-94**	**2011-12**	**2017-18**
Self employed	61.4	54.6	52.0	52.2
Regular salaried employee	15.4	13.6	18.0	22.8
Casual Workers	23.2	31.8	30.0	25.0
Total	100	100	100	100

Read the following passage and the answer Q.No. 32 on the basis of the same.

Market reforms have been given much of the credit for China's spectacular growth performance. China's reform process systematically has played a key role in transforming China into a modern economic state, deploying unlimited supplies of labor and combining it with a variety of initiatives in a pragmatic, non-ideological way to promote public and private investment and create productive employment in agricultural, manufacturing, and service sectors. In contrast, India's reforms have been sporadic and are still a work in progress. The record-breaking expansion of China's financial system in fostering investments was initially overlooked, but has attracted considerable attention in recent years. Market reforms have been given much of the credit for China's spectacular

	growth. India's 1991 economic reforms were less dramatic but were also credited with India shedding its slow rate of growth, and joining the ranks of fast-growing economy. India and China have also undergone socio-economic transformations in recent times. Over the years both the countries have followed their respective developmental paths & experienced differing results in the sphere of economic growth & human development. As China moved from medium to higher human development category, India remained at lower level of medium human development group.	
32 (a)	Discuss any two factors that led to the rapid growth in economic development in China.	**2**
(b)	State any two human development health indicators in which China has progressed faster than India.	**1**
(c)	In the last five decades, China's growth is contributed by the …………… sector & the……….. sector & India's growth is driven by …………. sector. (fill in the blanks)	**1**
33 (a)	On the basis of the data given below, compare & discuss the shift in output & employment sector-wise in India & China:	**4**
(b)	State & explain the reasons for slow growth & re-emergence of poverty in Pakistan.	**2**
34 (a)	'The expansion & promotion of the rural banking sector has taken a back seat after reforms.' In the context of the above statement, critically evaluate the role of rural banking system in the process of rural development in India.	**4**
(b)	Discuss how Cooperative Marketing is beneficial to the farmers?	**2**
	OR	
(a)	'Self-Help groups provide the stimulus to socio-economic development in rural areas.' Justify the given statement with valid reasons.	**3**
(b)	Explain the different policy instruments initiatives taken by the government in developing rural markets.	**3**

Sectoral Share of Employment & GVA (%) in 2018-19

Sector	Contribution to GVA		Distribution of workforce	
	India	**China**	**India**	**China**
Agriculture	16	7	43	26
Industry	30	41	25	28
Service	54	52	32	46
Total	**100**	**100**	**100**	**100**

Source: HDI Report 2019, Key indicators of Asia & Pacific,2019