

DIRECTORATE OF EDUCATION, GNCT OF DELHI
PRACTICE PAPER
CLASS XII
ECONOMICS (030)
TERM - (2025–26)

TIME: 3 HOURS

Max Marks – 80

GENERAL INSTRUCTIONS: -

(i) This question paper contains two sections:

Section A – Macro Economics

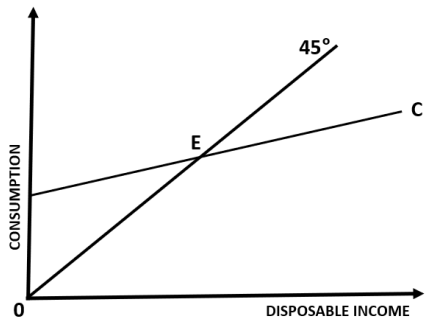
Section B – Indian Economic Development

(ii) This paper contains 20 Multiple Choice Type Questions of 1 mark each.

(iii) This paper contains 4 Short Answer Type Questions of 3 marks each to be answered in 60 to 80 words.

(iv) This paper contains 6 Short Answer Type Questions of 4 marks each to be answered in 80 to 100 words.

(v) This paper contains 4 Long Answer Type Questions of 6 marks each to be answered in 100 to 150 words.

Q. No.	SECTION A – MACRO ECONOMICS	Marks
1	<p>With reference to the Consumption Curve diagram, which of the following is true when the consumption curve (C) is above the Income line?</p>  <p style="text-align: right;">(Choose the correct Alternative.)</p> <p>Alternatives: -</p> <ul style="list-style-type: none"> (a) Average Propensity to Save (APS) is negative. (b) Average Propensity to Consume (APC) is equal to one. (c) Savings are positive. (d) Income is greater than consumption. <p>The following question is for the Visually Impaired Candidates only, in lieu of Q.1</p> <p>If the Marginal Propensity to Save (MPS) is 0.4 and autonomous consumption is ₹200 crores, the level of disposable income at the Break-Even Point will be:</p> <p style="text-align: right;">(Choose the correct Alternative.)</p> <p>Alternatives: -</p> <ul style="list-style-type: none"> (a) ₹500 crores (b) ₹800 crores (c) ₹200 crores (d) ₹1,000 crores 	1

2	<p>If Real Gross Domestic Product (GDP) is ₹18,000 crores and the GDP Deflator is 120, what would be the value of Nominal GDP?</p> <p style="text-align: right;">(Choose the correct Alternative.)</p> <p>Alternatives: -</p> <p>(a) ₹15,000 crores (b) ₹14,400 crores (c) ₹21,600 crores (d) ₹19,200 crores</p>	1
3	<p>Identify the function of money indicated in the statement: "Money allows for the expression of the value of all goods and services in terms of a single unit."</p> <p style="text-align: right;">(Choose the correct Alternative.)</p> <p>Alternatives: -</p> <p>(a) Standard of Deferred Payments (b) Medium of Exchange (c) Store of Value (d) Unit of Account</p>	1
4	<p>Read the following statements carefully: Statement 1: Appreciation of domestic currency is said to occur when the exchange rate decreases under the Floating Exchange Rate System. Statement 2: The Central Bank is obligated to intervene in the market to maintain the value of the exchange rate under the Fixed Exchange Rate System. In light of the given statements, choose the correct alternatives:-</p> <p>Alternatives: -</p> <p>(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.</p>	1
5	<p>In a simplified economy, the flow of Goods and Services from Firms to Households and factor services from Households to Firms constitute the:</p> <p style="text-align: right;">(Choose the correct Alternative.)</p> <p>Alternatives: -</p> <p>(a) Real flow. (b) Credit flow. (c) Stock flow. (d) Nominal Flow.</p>	1

6	<p>An Inflationary Gap is said to exist under which of the following conditions? (Choose the correct Alternative.)</p> <p>Alternatives: -</p> <ul style="list-style-type: none"> a) Aggregate Supply exceeds Aggregate Demand at the point of maximum production capacity. b) Ex-ante Aggregate Demand is less than Ex-post Aggregate Demand. c) Actual Aggregate Demand is less than the Aggregate Supply at full employment. d) Ex-ante Aggregate Demand exceeds the Aggregate Supply required to attain full employment. 	1															
7	<p>Read the following statements carefully:</p> <p>Statement 1: All intermediate goods are consumed by the producer during the same year to produce other goods.</p> <p>Statement 2: Final goods are always those purchased by the ultimate consumers.</p> <p>In light of the given statements, choose the correct Alternatives:</p> <p>Alternatives: -</p> <ul style="list-style-type: none"> (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. 	1															
8	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th>S.NO.</th><th>ITEMS</th><th>AMOUNT (IN CRORE)</th></tr> </thead> <tbody> <tr> <td>(i)</td><td>Currency held by the Public</td><td>400</td></tr> <tr> <td>(ii)</td><td>Net Demand Deposits with Commercial Banks</td><td>350</td></tr> <tr> <td>(iii)</td><td>Other Deposits with RBI</td><td>100</td></tr> <tr> <td>(iv)</td><td>Net Time Deposits with Commercial Banks</td><td>200</td></tr> </tbody> </table> <p>On the basis of the information given above, the component that must be excluded from the calculation of Money Supply (M1) is: (Choose the correct Alternative.)</p> <p>Alternatives: -</p> <ul style="list-style-type: none"> (a) (i) (b) (ii) (c) (iii) (d) (iv) 	S.NO.	ITEMS	AMOUNT (IN CRORE)	(i)	Currency held by the Public	400	(ii)	Net Demand Deposits with Commercial Banks	350	(iii)	Other Deposits with RBI	100	(iv)	Net Time Deposits with Commercial Banks	200	1
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9	<p>Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those given below:</p> <p>Assertion (A): Sale of machinery to a foreign country is recorded in the Capital Account of the Balance of Payments of a nation.</p> <p>Reason (R): Capital Account records all those transactions that cause a change in the assets or liabilities of the residents of a country or its government.</p> <p>Alternatives: -</p> <p>(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).</p> <p>(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).</p> <p>(c) Assertion (A) is true, but Reason (R) is false.</p> <p>(d) Assertion (A) is false, but Reason (R) is true.</p>	1																		
10	<p>The Reserve Bank of India (RBI) Act was passed in the year: (Choose the correct Alternative.)</p> <p>Alternatives: -</p> <p>(a) 1934</p> <p>(b) 1935</p> <p>(c) 1947</p> <p>(d) 1950</p>	1																		
11	<p>For a hypothetical economy, assuming there are only two firms (A and B) with equal Gross Value Added (GVA).</p> <p>On the basis of the following data, estimate the value of Intermediate Consumption of Firm B:</p> <table border="1"> <thead> <tr> <th>S.NO.</th><th>ITEMS</th><th>AMOUNT (IN CRORE)</th></tr> </thead> <tbody> <tr> <td>(i)</td><td>Sales of firm B</td><td>800</td></tr> <tr> <td>(ii)</td><td>Purchases by Firm A from Firm B</td><td>200</td></tr> <tr> <td>(iii)</td><td>Imports by Firm B</td><td>100</td></tr> <tr> <td>(iv)</td><td>Change in Stock of Firm B</td><td>(-)50</td></tr> <tr> <td>(v)</td><td>GVA of Firm A</td><td>500</td></tr> </tbody> </table>	S.NO.	ITEMS	AMOUNT (IN CRORE)	(i)	Sales of firm B	800	(ii)	Purchases by Firm A from Firm B	200	(iii)	Imports by Firm B	100	(iv)	Change in Stock of Firm B	(-)50	(v)	GVA of Firm A	500	3
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12	<p>(A) "The Central Bank has the sole authority to issue currency, which promotes efficiency in the transaction system and ensures stability." Justify the given statement with a valid explanation of the 'Currency Authority' function.</p> <p style="text-align: center;">OR</p> <p>(B) "A higher reserve ratio reduces the potential of commercial banks to create credit in the economy." Explain the given statement with reference to the concept of Money Multiplier.</p>	<p>3</p> <p>3</p>																		

13	<p>(A) Mr. Rahul, an Indian resident, received scholarship money from a foreign university and interest income on his bond investments. Classify Mr. Rahul's income as factor income or transfer income, giving valid reasons in support of your answer.</p> <p style="text-align: center;">OR</p> <p>(B) "Under the Income Method, the value of Domestic Income (NDP_{FC}) can be estimated by adding the factor incomes generated by all the producing units within the domestic territory of an economy." In the light of the given statement, explain the components of Operating Surplus.</p>	4
14	Mr. Shami, a normal resident of Country X, received ₹50,000 as a gift from his uncle residing in Country Y. During the same year, the Government of Country X sold a significant portion of its gold reserves to manage a Balance of Payments (BoP) surplus. Identify the nature of these two transactions (autonomous/accommodating) and provide a valid justification for your answer.	4
15	Define the concepts of Ex-ante Aggregate Demand and Ex-ante Aggregate Supply. Explain the adjustment mechanism when Ex-ante Aggregate Supply is more than Ex-ante Aggregate Demand.	4
16	<p>(A)</p> <p>(I) Suppose in an economy, the Marginal Propensity to Save (MPS) is 0.4. The government made an additional investment of ₹800 crore. Calculate the total change in Income (ΔY) and the value of the Investment Multiplier (k).</p> <p>(II) "Average Propensity to Consume (APC) can be greater than one, but Marginal Propensity to Consume (MPC) can never be greater than one." Justify the given statement with the help of a suitable argument.</p> <p style="text-align: center;">OR</p> <p>(B)</p> <p>(I) Define Autonomous Consumption. Derive the Consumption Function from the given Saving Function: $S = -\bar{C} + (1-b)Y$.</p> <p>(II) Measure the level of ex-ante aggregate demand when autonomous investment and consumption expenditure (\bar{A}) is ₹50 crores, and MPS is 0.2 and level of income (Y) is ₹400 crores. State whether the economy is in equilibrium or not.</p>	<p>3</p> <p>3</p> <p>3</p> <p>3</p>
17	<p>Read the following text carefully:</p> <p>India has made significant strides in its fiscal consolidation journey, successfully reducing the Fiscal Deficit (FD) to 5.6% of GDP in the Provisional Actuals for FY 2023-24. This achievement maintains the country's trajectory toward the goal of bringing the FD below 4.5% of GDP by FY 2025-26.</p> <p>The success is underpinned by two strategic pillars:</p> <p>Buoyant Revenue: The primary support came from robust, non-debt-creating revenue growth. Gross Tax Receipts (GTR) soared, driven by strong collections from the Goods and Services Tax (GST), which set new milestones, along with higher Non-Tax Receipts from government dividends. This signals an expanding tax base and economic formalization.</p>	

	<p>Strategic Capital Outlay: Crucially, the reduction in the deficit was achieved while the government increased Capital Expenditure (Capex). This strategic prioritization of investment in infrastructure and asset creation ensures that fiscal discipline supports, rather than hinders, long-term economic growth by stimulating productive capacity and <i>crowding-in</i> private investment. The target for FY 2024-25 aims for a further drop in FD to 4.9%.</p> <p>(I) Identify and explain the Revenue receipt and capital expenditure component of the government budget from the given text. 3</p> <p>(II) Elaborate on the positive implication of a decreasing Revenue Deficit as suggested by the given text. 3</p>	
SECTION B – INDIAN ECONOMIC DEVELOPMENT		
18	<p>Which of the following reforms, introduced under the Financial Sector Reforms of 1991, allowed the establishment of institutions like mutual funds by the private sector? (Choose the correct Alternative.)</p> <p>Alternatives: -</p> <p>(a) Deregulation of Interest Rates (b) Reduction in Statutory Liquidity Ratio (SLR) (c) Change in the role of RBI (d) Opening the field to private and joint sector financial institutions</p>	1
19	<p>What was the state of India's foreign trade during the British rule, in terms of trade direction? (Choose the correct Alternative.)</p> <p>Alternatives: -</p> <p>(a) Free trade with all European countries. (b) Exports were limited to India's neighbouring countries. (c) More than half of the trade was restricted to Great Britain. (d) Britain had no involvement in India's foreign trade.</p>	1
20	<p>Human capital is best described as: (Choose the correct Alternative.)</p> <p>Alternatives: -</p> <p>(a) A tangible asset owned by a business. (b) Perfectly mobile and efficient across different occupations. (c) Skills, abilities, and knowledge embodied in people. (d) Separable from the physical body of its owner.</p>	1
21	<p>Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those given below:</p> <p>Assertion (A): The implementation of technological reforms (Green Revolution) made the Indian farmer dependent on commercial banks.</p> <p>Reason (R): Small and Marginal farmers required loans for the purchase of High-Yielding Variety (HYV) seeds, fertilisers, and machinery.</p>	1

	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, but Reason (R) is false. (d) Assertion (A) is false, but Reason (R) is true.																					
22	Which international organisation made persistent efforts to focus government attention on the problems and need for modernization of informal sector enterprises? (Choose the correct Alternative.) Alternatives: - (a) World Bank (WB) (b) World Trade Organisation (WTO) (c) International Labour Organisation (ILO) (d) United Nations Development Programme (UNDP)	1																				
23	Based on the classification of economic activities, which of the following set represents the Tertiary Sector? (Choose the correct Alternative.) Alternatives: - (a) Agriculture and Mining & Quarrying. (b) Construction, Manufacturing, and Electricity, Gas and Water Supply. (c) Transport and Storage, Trade, and Services. (d) Construction, Services, and Agriculture.	1																				
24	The increasing pace of resource extraction and degradation of the environment in the modern era can be primarily attributed to: (Choose the correct Alternative.) Alternatives: - (a) The stability in the average global temperature. (b) Decreasing levels of population density. (c) Massive scale of production and consumption. (d) Lack of technological advancements.	1																				
25	From the set of terms given in Column I and corresponding facts given in Column II, choose the correct pair of statements: <table border="1"><thead><tr><th colspan="2">Column I</th><th colspan="2">Column II</th></tr></thead><tbody><tr><td>a</td><td>Animal husbandry</td><td>(i)</td><td>Instability in income</td></tr><tr><td>b</td><td>Horticulture</td><td>(ii)</td><td>Contributes to crop diversification and a stable income</td></tr><tr><td>c</td><td>Fisheries</td><td>(iii)</td><td>More than half from marine sector</td></tr><tr><td>d</td><td>Agro-processing industry</td><td>(iv)</td><td>Part of primary sector</td></tr></tbody></table> (Choose the correct Alternative.) Alternatives: - (A) (a)-i (B) (b)-ii (C) (c)-iii (D) (d)-iv	Column I		Column II		a	Animal husbandry	(i)	Instability in income	b	Horticulture	(ii)	Contributes to crop diversification and a stable income	c	Fisheries	(iii)	More than half from marine sector	d	Agro-processing industry	(iv)	Part of primary sector	1
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31	State and explain any two adverse and two positive impacts of the British Rule on the Indian economy.	4																				
32	<p>(A)</p> <p>(I) Justify the following statement: "The Industrial Policy Resolution (IPR) 1956 laid the foundation for the dominance of the public sector in India's industrial growth."</p> <p>(II) State any two reasons why the implementation of land reform measures, such as the abolition of intermediaries, faced considerable challenges in India.</p> <p style="text-align: center;">OR</p> <p>(B)</p> <p>(I) Explain any two reasons that compelled the Government of India to introduce the New Economic Policy (NEP) in 1991.</p> <p>(II) Discuss the negative consequences of Globalisation on the Indian economy, particularly with respect to domestic industries.</p>	<p>2</p> <p>2</p> <p>2</p> <p>2</p>																				
33	<p>(A) Refer to the given information carefully:</p> <p style="text-align: center;">LIFE EXPECTANCY</p> <table><tr><th>YEAR</th><th>MALE</th><th>FEMALE</th><th>TOTAL</th></tr><tr><td>1951</td><td>32.5</td><td>31.7</td><td>32.1</td></tr><tr><td>1991</td><td>58.6</td><td>59</td><td>58.7</td></tr><tr><td>2001</td><td>61.6</td><td>63.3</td><td>62.5</td></tr><tr><td>2011</td><td>62.6</td><td>64.2</td><td>63.5</td></tr></table> <p style="text-align: center;"><i>(Source : Registrar General of India)</i></p> <p>(I) Define the demographic indicator mentioned above and state its significance.</p> <p>(II) Analyse and compare the trends as shown in the above table between 1951 and 2011. Also highlight the possible reasons for the change.</p> <p style="text-align: center;">OR</p> <p>(B)</p> <p>(I) "Education is not only a mere source of income, but also a source of social and psychological well-being." Justify the given statement with valid arguments.</p> <p>(II) Explain the challenges India faces in achieving universal access to basic education. Suggest two policy measures the government can take to increase the public expenditure on education.</p>	YEAR	MALE	FEMALE	TOTAL	1951	32.5	31.7	32.1	1991	58.6	59	58.7	2001	61.6	63.3	62.5	2011	62.6	64.2	63.5	<p>2</p> <p>4</p> <p>3</p> <p>3</p>
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34	<p>(A)</p> <p>(I) Why, despite the implementation of green revolution, about 65 per cent of India’s population continued to be engaged in the agriculture sector till 1990?</p> <p>(II) Discuss the condition of industrial sector of India on the eve of independence.</p> <p style="text-align: center;">OR</p> <p>(B)</p> <p>(I) “The Navaratna policy of the government helps in improving the performance of public sector undertakings in India.” Defend or refute the above statement giving valid reasons.</p> <p>(II) Explain the rationale behind choosing 'Modernisation’ as a central planning objective in India's development strategy.</p>	<p>4</p> <p>2</p> <p>3</p> <p>3</p>																				