B.K. BIRLA CENTRE FOR EDUCATION
SARALA BIRLA GROUP OF SCHOOLS
A CBSE DAY-CUM-BOYS' RESIDENTIAL SCHOOL

TERM - I EXAMINATION (2026-27)
ECONOMICS

Class: XII **Time: 3hrs**
Date: 11.09.2026 **Max Marks: 80**
Admission no: **SET – I** **Roll no.**

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 & Indian Economy

1. Identify which of the following is considered as 'normal resident' of India? 1)
(a) An Indian citizen working in USA Embassy located at New Delhi.
(b) An Indian official working in India Embassy in China.
(c) An Indian diplomat visiting Canada for a summit.
(d) All of the above

2. Value Addition = **_____** – Value of Intermediate Consumption. 1)
(Choose the correct option(s) to complete the stated formula.)
(i) Domestic sales
(ii) Sales – change in stock
(iii) Value of output
(iv) (Number of units produced) × (Price per unit)
Options:
(A) (i) and (ii) (B) (ii) and (iii)
(C) (ii), (iii) and (iv) (D) (iii) and (iv)

3. In the following questions, Statement 1 is followed by Statement 2. Mark the correct choice. 1)
(a) Both statements are correct, and Statement 2 is the correct explanation of Statement 1.
(b) Both statements are correct, but Statement 2 is not the correct explanation of Statement 1.
(c) Statement 1 is correct, but Statement 2 is incorrect.
(d) Both statements are incorrect.
Statement 1: National Income includes income earned by both residents and non-residents within the domestic territory.
Statement 2: National Income excludes net factor income from abroad.

4. Consider the following statements: 1)
1. Milk is an intermediate good for the dairy cooperative.
2. Cheese is a final good.
3. Cheese-processing machine is a capital good.
Choose the correct option:
(a) 1 and 2 only (b) 2 and 3 only
(c) 1 and 3 only (d) 1, 2 and 3

5. **Statement:** The Central Bank reduces the Cash Reserve Ratio (CRR) from 6% to 4%. 1)

Conclusion I: The credit-creating capacity of commercial banks will increase.

Conclusion II: The money multiplier will decrease.
Options:
(a) Only Conclusion I follows (b) Only Conclusion II follows
(c) Both I and II follow (d) Neither I nor II follows

6. In an economy, exclusion of________ may lead to underestimation of the value of gross domestic product (GDP). (Choose the correct option to fill in the blank) 1)
(a) Barter transactions (b) Services provided by family members
(c) Illegal activities (d) Depreciation of assets
Options:
(a) (i) and (ii) (b) (ii) and (iii)
(c) (iii) and (iv) (d) (i), (ii) and (iii)

7. Suppose for an economy, autonomous consumption stands as Rs 100 crores and total consumption is Rs 130 crores. The value of induced consumption would be Rs_________crore. 1)
(a) 30 (b) 80
(c) 100 (d) 130

8. In the Keynesian economics, _________ starts from the origin and is always drawn at an angle of 45°. (Choose the correct option to fill up the blank) 1)
(a) Consumption curve (b) Aggregate demand curve
(c) Reference line (d) Investment curve

9. To arrive at the value of equilibrium level of income, there must exist an equality between ex-ante _____ and ex ante_______. 1)
(i) Aggregate Demand, Aggregate Supply (ii) Aggregate Demand, Savings
(iii) Aggregate Demand, Investment (iv) Savings, Investment
Options:
(a) (i) and (ii) (b) (i) and (iv)
(c) (ii) and (iii) (d) (iii) and (iv)

10. Read the following statements: Assertion (A) and Reason (R). Choose one of the correct options given below: 1)
Assertion (A): If the value of Marginal Propensity to Save is 0.5, Marginal Propensity to Consume will be equal to Marginal Propensity to Save.
Reason (R): Sum of Marginal Propensity to Consume and Marginal Propensity to Save always equals to unity.
Options:
(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion.
(b) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion
(c) Assertion (A) is true but Reason(R) is false.
(d) Assertion (A) is false but Reason(R) is true

11. If an upward sloping straight line consumption function makes an intercept at the Y-axis at a positive coordinate, it implies that Marginal Propensity to Consume (MPC).................. and Average Propensity to Consume (APC)............. as the income increases. 1)
(a) Remain constant, rises (b) Rises, rises
(c) Remain constant, falls (d) Falls, falls

12. Assertion (A): Interest paid on National Debt is a revenue expenditure. 1)
Reason (R): Revenue expenditure refers to those expenditures which either create assets or decrease the liability of the government.

13. The Government can achieve its budget objective of "Redistribution of income" by…… 1)

a) Managing the general price level in the economy to the desired level
b. Increasing the GDP of the economy
c. Bringing the production of goods and services under its direct and absolute control
d. Rationalization of taxes in pro-poor direction.

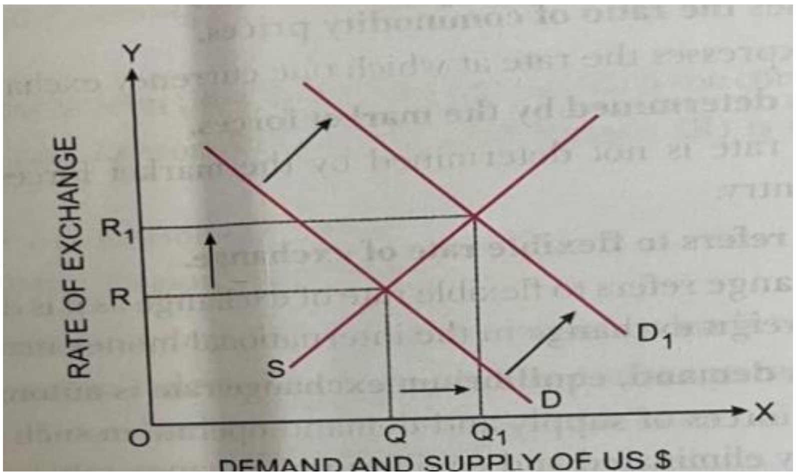
14. Fiscal deficit equals: 1)

(a) Interest payments (b) borrowings
(c) Interest payments less borrowings (d) borrowings less interest payments

15. Identify, which of the following is not to be considered while estimating Revenue Deficit of a country. 1)

a) Wages and salaries paid by the government.
b) Interest payments made by the Central Government
c) Direct Tax collection
d) Expenditure incurred on construction of flyover.

16. 1)



On the basis of the above diagram answer the following question:
What will be the impact of the above shift in demand curve from D-to-D1 on the exchange rate?
(a) Exchange rate increases (b) Exchange rate decreases
(c) Exchange rate remains constant (d) None of these

17. Country A has higher rate of inflation than country B. Which of the following is most expected? 1)

(a) A surplus trade balance in country B (b) A deficit trade balance for country A
(c) A rise in exports from country A to country B (d) A rise in imports from country B to country A

18. Which of the following statements are true regarding India's foreign trade on the eve of independence? 1)

1. India had a large export surplus that benefited the Indian economy.
2. British policies led to India exporting raw materials and importing finished goods.
3. The composition of India's exports included mainly agricultural and primary products.
4. India had control over its trade policy during the British period.

Options:
A. 1 and 2 only B. 2 and 3 only
C. 2, 3, and 4 only D. 1, 2, 3, and 4

19. Read the following statements and choose the correct option: 1)

Statement 1: The public sector was given a leading role in India's economic development during the early planning years.
Statement 2: The private sector was restricted due to the lack of capital and technical know-how.
Options:
a) Only Statement 1 is correct b) Only Statement 2 is correct
c) Both statements are correct d) Both statements are incorrect

20. Britain maintained a monopoly control over India's exports and imports while the rest was allowed with a few other countries like __________. 1)

(Choose the correct alternative to fill in the blank) 1

(i) China (ii) Ceylon (Sri Lanka)

(iii) Persia (Iran)

Alternatives:

(A) Only (i) (B) (i) and (ii)

(C) (ii) and (iii) (D) (i), (ii) and (iii)

21. "Saving curve can be derived from the consumption curve" 3)

Justify the statement, citing valid steps with the help of a well-labelled diagram.

OR

For two hypothetical economies A and B, the value of Marginal Propensity to Consume (MPC) stands at 0.6 and 0.8 respectively. Assuming for both the economies, Autonomous Consumption ($\overline{c}$) to be Rs 40 crore and Investment Expenditure (I) to be Rs 100 crore.

Calculate:

(I) Break-even level of income for Economy A

(II) Equilibrium level of income for Economy B

22. "Trade deficit must exist, if a country is facing situation of Current Account Deficit (CAD)." 3)

Defend or refute the above-mentioned statement with valid arguments.

23. An Indian exporter observed that the exchange rate of the rupee is generally determined by the forces of demand and supply in the foreign exchange market. However, during a period of sharp depreciation of the rupee against the US dollar, the Reserve Bank of India intervened in the market and took measures to stabilize the rupee, preventing it from falling below a certain level. 3)

Do you think this situation reflects a managed floating exchange rate system?

Justify your answer by explaining the key features of a managed floating exchange rate system and how it differs from a purely flexible exchange rate system.

24. "After 1991, reforms in external sector led to an increase in foreign exchange inflows." 3)

Justify the given statement with valid argument.

OR

(A) Explain how Goods and Services Tax (GST) has simplified the multiplicity of taxes imposed on goods and services. 2)

(B) Distinguish between Tariff and Non-tariff barriers. 1)

25. (A) For a hypothetical economy, assume the government increased an infrastructural investment by Rs 10,000 crore. 80% of additional income is consumed in the economy. 4)

Estimate the increase in income and the corresponding increase in consumption expenditure in the economy.

OR

If actual demand for final goods falls short of the actual output of final goods corresponding to full employment level, it may lead to an unintended accumulation of inventories.

Do you agree with the given statement? Give valid reasons in support of your answer.

26. Reserve Bank of India undertakes the important function of managing the government s banking transactions. 4)

Discuss the above stated function performed by the Reserve Bank of India.

27. (i) Gross Domestic Product (GDP) Deflator is represented by the ratio of Real GDP and Nominal GDP. Do you agree with the given statement? 3)

Justify your answer with valid arguments and a hypothetical numerical example.

(ii) State the meaning of 'Income from property and entrepreneurship'. 1)

28. Using a suitable numerical example, explain the credit creation process of the banking system, in a hypothetical economy. 4)

29. (A) "Green Revolution has made India self-reliant with respect to food grains production." Justify the given statement with valid arguments. 3)

(B) State the meaning of Commercialization of Agriculture. 1)

30. (A) Critically appraise the Industrial Licensing policy initiated by the government during the planning period of India. 2)

(B) What was the policy of 'Systematic De-industrialization' pursued by the British rule. 2)

OR

State and explain any two changes which were observed in India's occupational structure during the British rule. 4)

31. (A) Two friends, Deepak and Krish were discussing the impact of increase in GST rates on luxury items, as recently undertaken by the Government. Krish was of the view that most of the luxury items (like foreign travel, imported cigarettes, etc.) should be taxed exorbitantly, while the items related to daily consumption of poor and middle class should be tax-free. 4)
Identify and explain the objective of the Government budget Krish is suggesting.

(B) State any two examples of non-tax receipts of the Government. 2)

32 (A) Calculate National Income (NNP at FC) and Gross Domestic Product at Factor cost (GDP at FC) from the following data. 3 + 3

S.No.	Particulars	Amount (in rs.crore)
(i)	Rent	120
(ii)	Profits	200
(iii)	Domestic Income	720
(iv)	Mixed Income	70
(v)	Wages and salaries	300
(vi)	Indirect taxes	150
(vii)	Subsidies	50
(viii)	Consumption of fixed capital	200
(ix)	Interest	30
(x)	Dividend	120
(xi)	Net factor income from abroad	20

OR

(B) Read the following text carefully:

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.

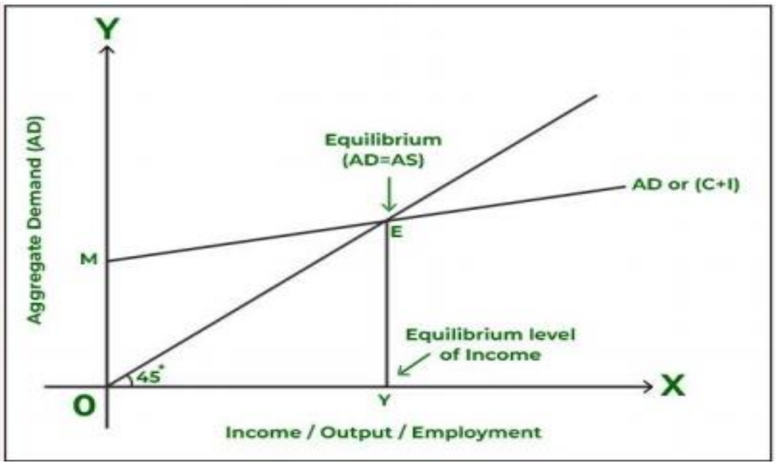
On the basis of the given text and common understanding, answer the following questions:

(i) Define externalities. 1)
(ii) Differentiate between positive and negative externalities. 3)
(iii) Elaborate how and why carbon pricing should be promoted. 2)

33. (A) Estimate the value of in incremental investment if, equilibrium level of income increases by Rs.50,000 crore and half of additional income is always saved in the economy. 3)

(B) Look at the following diagram and answer the questions below:

a) What does the point of intersection of AD and AS represent? 1)
b) If AD increases, what will happen to the equilibrium income and employment? Explain 1)
c) Explain one possible reason for the shift in AD. 1)



34. Read the following text carefully:
India, acclaimed for its technical expertise and an undying spirit of innovation, has emerged as a leader for global ecommerce giants aspiring to optimize, innovate and ascend to greater heights. Be it intricate backend processes, cutting-edge data analytics, or AI-fuelled insights to enhance customer interactions, India's BPO sector is a true testament to capability and finesse.
But e-commerce goes beyond just online transactions. It encompasses the crafting of an immersive user journey. As business lean into AI, VR and myriad emerging technologies to redefine online retail, India's formidable IT talent repository stands as an essential ally.
Yet, it's not solely about the tech. India's vast contingent of English-proficient professionals, enriched by a deep-seated grasp of global consumer behaviour, renders the nation uniquely equipped to deliver both backed efficacy and front-end consumer delight.

-------Deccan Chronicle ,27 August 2023.

(A) (i) "India is often called as 'Outsourcing Destination of the world'. Discuss the prime reasons for this name given to India. **3)**
(ii) 'Outsourcing is one of the important outcomes of the globalization process.' But on what grounds globalization has been criticized. **3)**

OR

(B)
(i) 'Strategic sale of a public sector undertaking and minority sale of their shares are methods of Disinvestment.' **3)**
Defend or refute this statement with valid argument.

(ii) State and discuss the objectives of World Trade Organization. **3)**

All the Best*