# B.K. BIRLA CENTRE FOR EDUCATION

SARALA BIRLA GROUP OF SCHOOLS
A CBSE DAY-CUM-BOYS' RESIDENTIAL SCHOOL

INDIAN PUBLIC SCHOOLS' CONFERENCE

NABET

## TERM - I EXAMINATION (2026-27)
## ECONOMICS

**Class: XII** **Time: 3hrs**
**Date: 11.09.26** **Max Marks: 80**
**Admission no:** **SET – 2** **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.** Which of the following transactions will be included while estimating the National Income of India? 1)
(a) Purchase of shares of an Indian company by a foreign investor
(b) Old age pension received by a retired school teacher
(c) Commission earned by a property dealer in Mumbai
(d) Sale of a second-hand car by one household to another

**2.** Nominal Gross Domestic Product = _____ × Prices of the current year. 1)
(Choose the correct option(s) to complete the stated formula.)
(i) Real Gross Domestic Product
(ii) Quantity of final goods and services produced within the domestic territory in the current year
(iii) Value of intermediate consumption of the current year
(iv) Physical output of the current year
Options:
(A) (i) and (ii) (B) (ii) and (iv)
(C) (i) and (iii) (D) (iii) and (iv)

**3.** Read the following statements: Assertion (A) and Reason (R). 1)
Choose one of the correct options given below:
**Assertion (A):** Expenditure incurred by a firm on the purchase of an old factory building is not included in Gross Domestic Capital Formation.
**Reason (R):** National income accounting includes the value of only those goods and services which are produced during the current accounting year.
Options:
(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.

**4.** Which one of the following is a quantitative instrument of monetary policy of the Central Bank? 1)
(a) Margin requirement (b) Moral suasion
(c) Repo rate (d) Selective credit control

**5.** In the following question, 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:** Subsidies are added to Net Domestic Product at Market Price to arrive at Net Domestic Product at Factor Cost.
**Statement 2:** Net Indirect Taxes are estimated as the sum of indirect taxes and subsidies.

**6. Statement:** The Central Bank purchases government securities in the open market. 1)
**Conclusion I:** The money supply in the economy will increase.
**Conclusion II:** The lending capacity of commercial banks will fall.
Options:
(a) Only Conclusion I follows (b) Only Conclusion II follows
(c) Both I and II follow (d) Neither I nor II follows

**7.** If in an economy the Marginal Propensity to Consume is 0.75, the value of the investment multiplier will be ____. 1)
(a) 0.25 (b) 1.33
(c) 4 (d) 7.5

**8.** At the break-even level of income in an economy, ______. 1)
(Choose the correct option to fill in the blank)
(a) Average Propensity to Consume is equal to one (b) Average Propensity to Save is equal to one
(c) Marginal Propensity to Consume is equal to zero (d) Saving is positive

**9.** A situation of deficient demand in an economy is most likely to result in ______. 1)
(Choose the correct option to fill in the blank)
(a) Rise in the general price level (b) involuntary unemployment
(c) Unplanned decrease in inventories (d) full employment level of output

**10.** Read the following statements: Assertion (A) and Reason (R). 1)
Choose one of the correct options given below:
**Assertion (A):** The equilibrium level of income in an economy is attained where ex-ante saving is equal to ex-ante investment.
**Reason (R):** Ex-post saving is always equal to ex-post investment in an economy.
Options:
(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.

**11.** Consider the following statements: 1)
(i) The sum of Marginal Propensity to Consume and Marginal Propensity to Save is always equal to one.
(ii) The value of Marginal Propensity to Consume can be greater than one.
(iii) The consumption curve starts from the origin when autonomous consumption is zero.
Choose the correct option:
(a) (i) and (ii) only (b) (i) and (iii) only
(c) (ii) and (iii) only (d) (i), (ii) and (iii)

**12.** Read the following statements: Assertion (A) and Reason (R). 1)
Choose one of the correct options given below:
**Assertion (A):** Recovery of loans by the government is treated as a capital receipt.
**Reason (R):** Capital receipts are those receipts which either create a liability or cause a reduction in the assets of the government.
Options:
(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.

**13.** The Government can achieve its budgetary objective of "Reallocation of resources" by ______. 1)

(a) Imposing heavy taxes on cigarettes and granting subsidies on solar equipment
(b) Borrowing funds from the Reserve Bank of India
(c) Revising the salaries and allowances of government employees
(d) Selling the shares of public sector undertakings

**14.** Primary deficit of the government is equal to: 1)

(a) Fiscal deficit plus interest payments
(b) Fiscal deficit less interest payments
(c) Revenue deficit less interest payments
(d) Borrowings plus interest payments

**15.** Identify which of the following is not a revenue receipt of the Government of India. 1)

(a) Income tax collected from individuals
(b) Fees and fines collected by the government
(c) Proceeds from disinvestment of a public sector unit
(d) Grants received from a foreign government

**16.** The exchange rate of the rupee changes from □80 per US dollar to □85 per US dollar under a flexible exchange rate system. This change is termed as ______ of the domestic currency. 1)

(a) Devaluation
(b) Depreciation
(c) Appreciation
(d) Revaluation

**17.** A sharp increase in the number of Indian tourists travelling to Switzerland is most likely to result in ______. 1)

(a) a rightward shift in the demand curve for foreign exchange and depreciation of the rupee
(b) a rightward shift in the supply curve of foreign exchange and appreciation of the rupee
(c) a leftward shift in the demand curve for foreign exchange and appreciation of the rupee
(d) no change in the foreign exchange market

**18.** Which of the following statements are true regarding the agricultural sector of India on the eve of independence? 1)

1. The zamindari system adversely affected the productivity of the agricultural sector.
2. Agriculture experienced high growth on account of large-scale expansion of irrigation facilities.
3. Partition of the country adversely affected the supply of raw jute to the jute mills of West Bengal.
4. Commercialisation of agriculture benefited all sections of the farming community equally.

**Options:**

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

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

**Statement 1:** India adopted the strategy of import substitution during the planning period to protect domestic industries from foreign competition.

**Statement 2:** The policy of import substitution compelled domestic producers to compete with foreign producers in the world market.

Options:

a) Only Statement 1 is correct
b) Only Statement 2 is correct
c) Both statements are correct
d) Both statements are incorrect

**20.** During the British rule, the occupational structure of India was characterised by ______. 1)

(i) a decline in the share of the manufacturing sector in employment.
(ii) an overwhelming dependence of the workforce on the agricultural sector.
(iii) a uniform rise in the share of the service sector in every region of the country.

Alternatives:

(A) Only (i)
(B) (i) and (ii)
(C) (ii) and (iii)
(D) (i), (ii) and (iii)

**21.** "The value of the investment multiplier is directly related to the Marginal Propensity to Consume." Justify the given statement with the help of a hypothetical numerical example. 3)

**OR**

For a hypothetical economy, the consumption function is given as C = 40 + 0.8Y and the level of planned investment expenditure is Rs 110 crore.
Calculate:
(I) Equilibrium level of income
(II) Saving at the equilibrium level of income

**22.** "All the transactions recorded in the Balance of Payments account of a country are not autonomous in nature." Explain the given statement with reference to accommodating transactions. 3)

**OR**

"A deficit in the Balance of Payments on current account is not always a matter of concern for an economy." Defend or refute the given statement with valid arguments.

**23.** A newspaper report stated that the depreciation of the Indian rupee against the US dollar during a particular year failed to bring about the expected improvement in India's trade balance, as the country's import bill continued to rise. 3)
In the light of the above information, examine whether depreciation of the domestic currency always improves the trade balance of a country. Support your answer with valid arguments.

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

**OR**

**(B) "Privatisation of public sector undertakings may lead to the neglect of social welfare objectives."**
**Defend or refute the given statement with valid arguments.**

**25. (A)** In a hypothetical economy, the Marginal Propensity to Save is 0.25. The government increases its investment expenditure by Rs 4,000 crore. 4)
Estimate the resultant increase in the equilibrium level of income and the increase in saving in the economy.

**OR**

**(B)** "Excess demand in an economy gives rise to an inflationary gap."
Explain any two monetary measures that may be undertaken by the Central Bank to correct the above situation.

**26.** "The Central Bank acts as the custodian of the foreign exchange reserves of the country and also as the lender of last resort to commercial banks." 4)
Discuss the two functions of the Central Bank stated above.

**27.** (i) Explain any two limitations of using Gross Domestic Product as an index of economic welfare. 3)
(ii) State the meaning of 'Net Factor Income from Abroad'. 1)

**28.** "The money multiplier is inversely related to the Legal Reserve Ratio." 4)
Justify the given statement with the help of a suitable numerical illustration.

**29. (A) Critically appraise the role assigned to the public sector during the planning period in India. 2)**
**(B) Explain the meaning of an 'inward looking trade strategy' adopted by India during the planning period. 2)**

**OR**

**"The introduction of railways by the British rule in India proved to be a double-edged sword for the Indian economy." 4)**
**Justify the given statement with valid arguments.**

**30. (A) Explain the need for land reforms in India after independence, citing any three measures adopted in this regard.** **3)**

**(B) State the meaning of 'Marketable Surplus'.** **1)**

**31. 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)

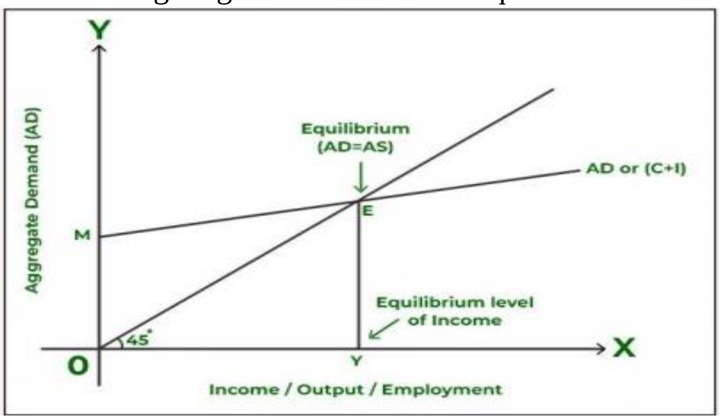
(iii) Elaborate how and why carbon pricing should be promoted. 2)

**OR**

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 |

**32. (A)** 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 with diagram. 1)

c) Explain one possible reason for the shift in AD. 1)

**(B)** State the meaning of 'excess demand' in an economy. Discuss any two fiscal measures which may be undertaken by the government to correct the situation of excess demand. 3)

**33. (A)** Two friends, Deepak and Krish were discussing the impact of increase in GST rates on 4) 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.

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)

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

Three decades after the reforms of 1991, India has emerged as one of the largest recipients of foreign direct investment among the emerging economies. Deregulation of industry, the opening up of the financial sector and a liberal trade regime have integrated the Indian economy with the rest of the world. Manufacturing giants and global technology firms have set up plants and research centres in the country, while Indian firms have themselves acquired assets abroad. Critics, however, argue that the benefits of this integration have remained confined to a narrow segment of the population, that agriculture has been left out of the reform process and that employment has not grown in proportion to the growth of output.

--------Business Standard

**(A) (i) "Globalisation has integrated the Indian economy with the world economy." 3)**
**Discuss any three benefits of globalisation for the Indian economy.**

**(ii) Explain any three reforms undertaken in the financial sector of India after 1991. 3)**

**OR**

**(B) (i) "The agricultural sector appears to have been adversely affected by the reform process." 3)**
**Justify the given statement with valid arguments.**

**(ii) Highlight the Trade and Investment Policy reforms introduced in India after 1991. 3)**

**********************************ALL THE BEST************************************