



B.K. BIRLA CENTRE FOR EDUCATION

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

PERIODIC TEST – I (2026-27)
ECONOMICS

Class: XII

Time: 1hrs

Date: 11.06.2026

SET – II

Max. Marks: 25

Attempt all Questions:

Read the following statements-Assertion (A) and Reason (R), and select the correct alternative in each case:

- (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

1. **Assertion (A):** With introduction of money as a common unit of value, the market for sale and purchase of assets has considerably expanded. 1)

Reason (R): Common unit of value (in terms of money) has facilitated comparison of market value of different assets.

2. "Mr. Sahotra borrowed funds from bank for purchasing a new house". 1)
From the above statement, identify the indicated function of money:

- (a) Medium of exchange (b) Store of value
(c) Unit of account (d) Standard of deferred payments

3. The Indian government needs to borrow a significant amount of money to finance its budget deficit. Which function of the RBI would be relevant in this situation? 1)

- a) Banker's Bank (b) Custodian of Foreign Exchange Reserves
c) Banker to the Government (d) Regulator and Supervisor of the Financial System

4. If in an economy the initial deposits are Rs 4,000 crore and Reserve Ratio (RR) is 10%. 1)
The value of total deposit created would be Rs _____ crore.

(Fill up the blank with the correct alternative)

- (A) 4,000 (B) 40,000
(C) 2,000 (D) 20,000

5. The Reserve Bank of India (RBI) _____ government securities in a bid to _____ the stock of money in the economy. (Choose the correct alternative to fill up the blanks) 1)

- (a) sells, decrease (b) purchases, decrease
(c) sells, increase (d) purchases, not change

6. **Read the following information:** 2)

"In its recent meeting, the RBI lowered the Cash Reserve Ratio (CRR) from 4.5% to 4%.

This move is expected to inject approximately Rs 30,000 crores of liquidity into the banking system."

Elaborate on how a decrease in CRR leads to an increase in the money supply in the economy.

7. Justify the following statement with a valid argument: 'Money serves as a Medium of Exchange.' 2)

8. Imagine you are using a mobile wallet (like G-Pay or Paytm) to pay for groceries. In your opinion, are the balances in these digital wallets considered a form of money? 2)

9. Define money supply and give the components of M_1 as a measure of money supply. 2)

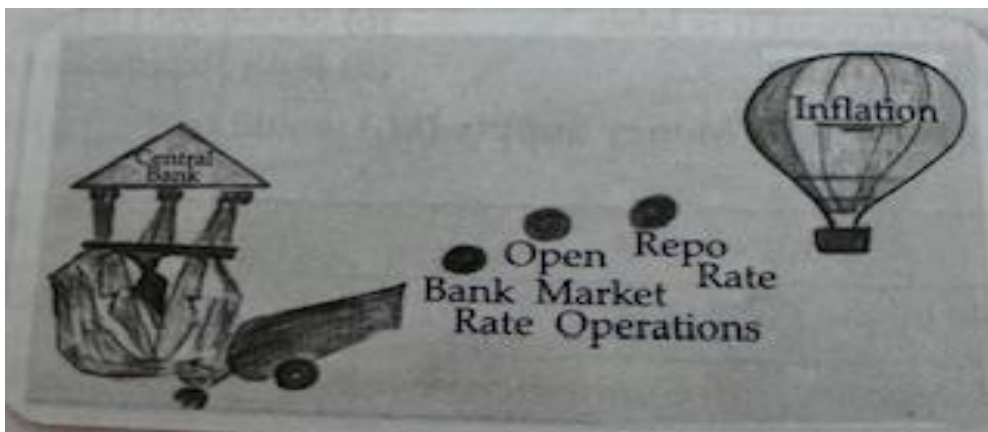
10. “The Reserve Bank of India acts as a ‘Banker to the Government’.” 3)
Justify this statement by explaining any two roles it performs in this capacity.

11. The Indian economy is currently witnessing a sharp rise in the prices of essential commodities (Inflation). To tackle this, the RBI has decided to implement Qualitative (Selective) Credit Control measures rather than just changing interest rates. 3)

Briefly explain any two qualitative tools the RBI can use to restrict the flow of credit to speculative sectors and control inflation.

12. (A) 3)
‘Credit creation is inversely related to reserve deposit ratio’. Justify the given statement using a hypothetical example.

(B) Refer to the given image carefully: 3)



Explain any two indicated measures taken by the central bank to control the highlighted macroeconomic issue.

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