B.K. BIRLA CENTRE FOR EDUCATION

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

PRE MID TERM EXAM (2026-27)
ECONOMICS

Class: XII **Time: 1hr**
Date:24.07.26 **SET - I** **Max. Marks: 25**

Attempt all questions:

1. Under the _______ exchange rate system, market forces automatically adjust the surplus and deficit in the Balance of Payments account. 1)
(Choose the correct option to fill up the blank)
A. fixed B. flexible
C. managed floating D. dirty floating

2. Keeping all other factors constant, trade surplus may arise in the Balance of Payments of a nation because of ________. 1)
(Choose the correct alternative to fill in the blank)
(A) rise in export of coffee to Japan (B) fall in import of banking services
(C) fall in exports of cereals (D) rise in remittances to abroad

3. The ___________ account of Balance of Payments reflects the net changes in financial claims on the Rest of the World (ROW). 1)
(Choose the correct alternative to fill in the blank)
(A) Trade (B) Capital
(C) Current (D) Visible

4. Read the following statements carefully: 1)
Statement 1: Import of gold from Dubai will be recorded on the debit side of the current account in Balance of Payments of India.
Statement 2: Outflow of Foreign Institutional Investment (FII) from Indian stock markets will be recorded on the credit side of the capital account.
In light of the given statements, choose the correct alternative from the following:
(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.

5. Identify which of the following is not one of the merits of fixed exchange rate system. 1)
(A) Ensures stability in exchange rate
(B) Possibility of under or over valuation of foreign currency
(C) Prevents speculations in foreign exchange market
(D) Coordination of macroeconomic policies becomes convenient

6. "Devaluation of currency and depreciation of currency have the same implications, but they originate from divergent sources." 3)
Do you agree with the given statement? Give valid reason in support of your answer.

7. Discuss any two factors which directly affect the demand for foreign exchange of a nation. 3)

8. Explain managed floating exchange rate system. How does the Central bank control the fluctuations in the exchange rate? 4)

9. (I) 'Foreign Portfolio Investment (FPI) witnessed a sharp turnaround during 2023-24 with net FPI inflows of US$ 32.4 billion.' 2)
In which sub-account and on which side of the Balance of Payments account the above transaction will be recorded? Give reasons in support of your answer.

(II) State the meaning of 'Balance of Payments Deficit'. 2)

10. (I) Accommodating transactions are undertaken to maintain stability in the Balance of Payments account. Justify the given statement with valid explanation. 4)

(II) Outline the meaning and reasons behind narrowing down of Current Account Deficit. 2)

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