



# B.K. BIRLA CENTRE FOR EDUCATION

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



PRE MID-TERM TEST 2025-26

ECONOMICS

Class: XII  
Date: 1.08.25

MARKING KEY

Time: 1hr  
Max Marks: 25

1. d) outlet 1)
2. b) 1956 1)
3. b) Social environment 1)
4. c) Creative approach 1)
5. b) 1 - d, 2 - a, 3 - c, 4 - b 1)

6. **Economic Activity:** 3)  
Business is an economic activity aimed at earning profit through the production and exchange of goods and services.

**Profit Motive:**

The main objective of business is to earn profit. Profit is essential for survival, growth, and expansion of a business.

**Risk and Uncertainty:**

Every business faces risks such as market fluctuations, changes in consumer preferences, competition, etc. These uncertainties are part of business operations.

7. **Trade Meaning:** 3)  
Trade refers to the buying and selling of goods and services with the aim of earning profit. It is the core activity of commerce.

Purpose:

To make goods available to consumers or other businesses.

Types:

1. Internal Trade – Buying and selling within the same country.
2. External Trade – Importing and exporting between countries.

Example:

A wholesaler buying goods from a manufacturer and selling them to retailers.

**Auxiliaries to Trade (Aids to Trade) Meaning:**

Auxiliaries to trade are services that support and facilitate trade. They help in the smooth flow of goods from producers to consumers.

Purpose:

To assist trade operations by overcoming obstacles of place, time, risk, finance, and communication.

Types:

1. Transport and Communication – Moves goods and information.
2. Banking and Finance – Provides credit and payment services.

3. Insurance – Covers business risks.
4. Warehousing – Stores goods safely until needed.
5. Advertising – Promotes products to customers.

Example:

A transport company delivering goods from a factory to a retailer.

**8. The economic environment** refers to all the external economic factors that influence a business's operations, decisions, and performance. These include economic conditions, policies, and trends. 3)

### **Key Aspects of Economic Environment and Their Impact on Business**

#### **1. Level of Income and Purchasing Power**

- **Impact:** Higher income levels lead to more consumer spending, increasing demand for goods and services.
- **Example:** During a boom period, people spend more on luxury cars, premium gadgets, and travel.

#### **2. Rate of Inflation**

- **Impact:** High inflation increases the cost of raw materials and reduces consumers' purchasing power.
- **Example:** If inflation rises, a food manufacturing business may see reduced demand as prices for basic items go up.

#### **3. Interest Rates**

- **Impact:** Affects cost of borrowing and consumer credit.
- **Example:** If interest rates are high, companies may postpone expansion projects and consumers may reduce use of credit cards or home loans, reducing demand for housing and consumer durables.

#### **4. Economic Policies (Fiscal and Monetary)**

- **Impact:** Government spending, taxation, and money supply influence business operations.
- **Example:** A cut in corporate tax rates can encourage companies to invest more in R&D or expansion.

#### **5. Exchange Rates**

- **Impact:** Affects the cost of imports and competitiveness of exports.
- **Example:** If the Indian Rupee depreciates, imported machinery becomes expensive, but Indian exports become cheaper and more competitive abroad.

**9. The business environment is a combination of:** 3)

- **Specific forces** that directly affect individual firms (micro-level), and

**Examples:**

- **Customers** – Their needs, preferences, and feedback directly affect a business.
- **Suppliers** – Availability and pricing of raw materials.
- **Competitors** – Affect pricing, marketing, and innovation strategies.
- **General forces** that influence all businesses in the economy (macro-level).

## Examples:

- **Economic Conditions** – Inflation, interest rates, unemployment.
- **Social Trends** – Lifestyle, education levels, demographics.
- **Political and Legal Environment** – Government policies, regulations, political stability.

## 10. 1. Planning

4)

- **Definition:** Deciding in advance what to do, how to do it, when to do it, and who will do it.

### 2. Organising

- **Definition:** Arranging resources (people, finance, materials, etc.) and assigning tasks to achieve the plan.

### 3. Staffing

- **Definition:** Recruiting, selecting, training, and developing the right people for the right jobs.

### 4. Controlling

- **Definition:** Monitoring actual performance, comparing it with planned performance, and taking corrective action if needed.

## 11. It helps a business **evaluate its current position** and **plan effectively for the future**.

4)

### 1. Identifying Strengths to Build Upon

### 2. Recognizing Weaknesses to Improve

### 3. Spotting Opportunities to Grow

### 4. Anticipating Threats to Prepare For

SWOT analysis prepares businesses for the future by:

- Enhancing **strategic thinking**
- Promoting **proactive planning**
- Ensuring better **decision-making**
- Helping businesses stay **competitive and adaptable**

It acts like a **mirror and a map**—showing where the business stands today and guiding it toward future success.

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