Series P/PB2/1

SET 1

CLAS XII PRE-BOARD EXAMINATION – 2025-26

Q.P. Code: 030/2/1

Roll No. | | | | | | | | |

Candidate must write the Q.P. Code on the title page of the answer-book.

- Please check that this question paper contains 10 printed pages.
- Please check that this question paper contains 34 questions.
- Q.P. Code given on the right hand side of the question paper should be written on the title page of the answer-book by the candidate.
- **Please write down the serial number of the question in the answer-book before attempting it.**
- 15 minute time has been allotted to read this question paper. The students will read the question paper only and will not write any answer on the answer-book during this period.

ECONOMICS

Time allowed : 3 hours *Maximum Marks : 80*

General Instructions:

Read the following instructions very carefully and strictly follow them:

*(i) This question paper contains **34** questions. **All** questions are compulsory.*

*(ii) The question paper contains **two** sections:*

***Section A** – Macro Economics*

***Section B** – Indian Economic Development*

*(iii) This question paper contains **20** Multiple Choice Questions. Each question carries **1** mark.*

*(iv) This question paper contains **4** Short Answer Type – I Questions. Each question carries **3** marks. Answer these questions in 60 to 80 words.*

*(v) This question paper contains **6** Short Answer Type – II Questions. Each question carries **4** marks. Answer these questions in 80 to 100 words.*

*(vi) This question paper contains **4** Long Answer Type Questions. Each question carries **6** marks. Answer these questions in 100 to 150 words.*

*(vii) Attempt **all** parts of a question together.*

(viii) There is no overall choice in the question paper. However, an internal choice has been provided in few questions. Only one of the choices in such questions has to be attempted.

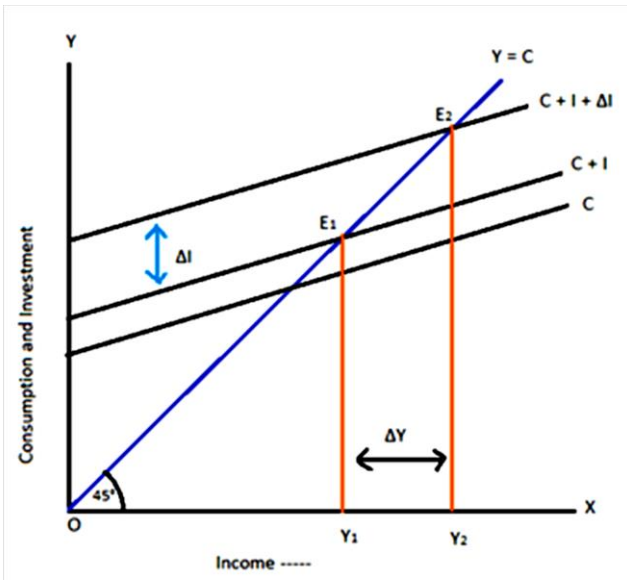
Q. NO.	SECTION A – INTRODUCTORY MACROECONOMICS	MARKS
1	Consider the following statements: Statement I: GDP at Market Price includes Net Indirect Taxes. Statement II: NNP at Factor Cost is always greater than GDP at Market Price. Which of the following is correct? A) Statement I is true; Statement II is true. B) Statement I is true; Statement II is false. C) Statement I is false; Statement II is true. D) Both statements are false.	1
2	Choose the correct statement: A) Repo rate is the rate at which RBI borrows money from commercial banks. B) Reverse repo rate is the rate at which RBI lends money to commercial banks. C) Bank rate is the rate at which RBI lends long-term funds to commercial banks. D) Repo rate is the rate at which commercial banks lend to RBI for long-term loans.	1
3	Which of the following will cause the gap between nominal GDP and real GDP to widen? A) A fall in the general price level B) No change in the price level C) A rise in the general price level D) A fall in the quantity of goods produced	1
4	Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those alternatives given below: Assertion (A): When investment increases, the increase in national income is more than the initial increase in investment. Reason (R): Marginal propensity to consume (MPC) is often greater than marginal propensity to save (MPS). Alternatives: 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
5	Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those alternatives given below: Assertion (A): Inflationary gap leads to an increase in the general price level in the economy. Reason (R): Inflationary gap represents a situation where aggregate demand is less than aggregate supply at full employment. Alternatives: 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

<table>
<tr><td>6</td><td>From the set of terms given in Column I and corresponding facts given in Column II, choose the correct pair of statements:
<table><tr><th>Column I</th><th>Column II</th></tr><tr><td>A. Repo Rate</td><td>i) Cash reserve that commercial banks must maintain with RBI</td></tr><tr><td>B. CRR</td><td>ii) Rate at which RBI lends money to commercial banks for short term</td></tr><tr><td>C. SLR</td><td>iii) Percentage of deposits banks must maintain in the form of liquid assets</td></tr><tr><td>D. Reverse Repo Rate</td><td>iv) Rate at which RBI borrows money from commercial banks</td></tr></table>
Options:
A) A–(ii), B–(i), C–(iii), D–(iv)
B) A–(iv), B–(iii), C–(ii), D–(i)
C) A–(iii), B–(ii), C–(iv), D–(i)
D) A–(i), B–(iv), C–(iii), D–(ii)</td><td>1</td></tr>
<tr><td>7</td><td>Which of the following is an example of an autonomous item in the Balance of Payments?
A) Borrowing from the IMF to correct a deficit
B) Gifts and remittances received from abroad
C) RBI purchase of foreign currency to maintain exchange rate
D) Withdrawal of foreign exchange reserves by the RBI</td><td>1</td></tr>
<tr><td>8</td><td>Read the following statements and choose the correct statement:
a. The current account records export and import of goods and services.
b. Unilateral transfers such as gifts and remittances are included in the current account.
c. Income from investment abroad (interest and dividends) is recorded in the capital account.
d. Current account transactions affect the nation’s net income from abroad.
Options:
A) Only a and b are correct B) Only c is correct
C) a, b and d are correct D) All are incorrect</td><td>1</td></tr>
<tr><td>9</td><td>Which of the following best describes depreciation in national income accounting?
A) The loss of value of inventories due to change in market prices
B) The wear and tear of fixed assets during the process of production
C) The fall in value of financial assets like shares and bonds
D) The replacement cost of raw materials used in production</td><td>1</td></tr>
<tr><td>10</td><td>Recently, the Indian rupee has depreciated to record lows of around ₹90 against the US dollar due to weak export performance, significant foreign portfolio outflows, and ongoing trade uncertainties, leading to higher import costs and prompting limited intervention by the RBI.
Based on the above statement, which of the following is correct?</td><td>1</td></tr>
</table>

<table>
<tr><td></td><td>A) Depreciation of the rupee makes imports cheaper for India.
B) Depreciation of the rupee makes exports more expensive for foreign buyers.
C) Depreciation of the rupee increases the cost of imports for India.
D) Depreciation reduces the need for RBI intervention in the forex market.
OR
Which of the following factors can lead to the depreciation of the Indian Rupee?
A) Increase in foreign capital inflow
B) Rise in India's demand for foreign currency due to higher imports
C) Higher interest rates in India compared to other countries
D) Increase in India's foreign exchange reserves</td><td>1</td></tr>
<tr><td>11</td><td>Distinguish between intermediate goods and final goods with one example each. Why are intermediate goods not included in the calculation of National Income?
OR
Refer to the given text carefully:
A chemical factory in a city produces goods worth ₹500 crore in a year, which contributes significantly to the city's GDP. However, the factory releases toxic waste into the nearby river, polluting water, harming fisheries, and causing health problems for local residents.

On the basis of the given text and common understanding, explain how GDP fails to capture the real economic welfare of the society.</td><td>3

3</td></tr>
<tr><td>12</td><td>Refer to the given text carefully:
A Country has been importing more goods and services than it exports for several years, leading to a persistent current account deficit. To manage this deficit, the Reserve Bank of the Country borrows from the International Monetary Fund (IMF) and uses its foreign exchange reserves to meet external payment obligations.
On the basis of the given text and common understanding, identify the type of international capital transaction made by the Country and explain how it helps the country in managing the current account deficit?</td><td>3</td></tr>
<tr><td>13</td><td>The following data relates to a country for a particular year (in ₹ crore). Compute the Gross Domestic Product at Market Price (GDP mp) of the country.
<table>
<tr><th>Sl.No.</th><th>Items</th><th>Amount (in ₹ crore)</th></tr>
<tr><td>1</td><td>Compensation of employees</td><td>2500</td></tr>
<tr><td>2</td><td>Rent</td><td>600</td></tr>
<tr><td>3</td><td>Interest</td><td>400</td></tr>
<tr><td>4</td><td>Profit</td><td>500</td></tr>
<tr><td>5</td><td>Depreciation</td><td>300</td></tr>
<tr><td>6</td><td>Dividend</td><td>350</td></tr>
<tr><td>7</td><td>Net Indirect Taxes</td><td>200</td></tr>
<tr><td>8</td><td>Net factor income to abroad</td><td>20</td></tr>
</table></td><td>4</td></tr>
<tr><td>14</td><td>Rahul received a bonus of ₹50,000 at his office. He decided to keep this money in a fixed deposit for one year to earn interest and use it later for buying a motorbike. Identify the function of money illustrated in this case and explain its significance.</td><td>4</td></tr>
</table>

15	Refer to the given text carefully: In an economy, aggregate demand exceeds the level of output at full employment, causing prices to rise rapidly. Policymakers are concerned about inflationary pressures building up due to excess demand in the market. On the basis of the given text and common understanding: a) Explain how an inflationary gap affects the price level and the level of output in the short run. b) If the aggregate expenditure increases by ₹500 crore and the marginal propensity to consume (MPC) is 0.8, calculate the increase in national income due to the multiplier effect. OR Read the text carefully: The government of a country decides to spend ₹1,500 crore on building new highways to boost economic activity. The marginal propensity to consume (MPC) in the economy is 0.75. Based on the above scenario: a) Explain the concept of the investment multiplier and how government spending can influence national income. b) Calculate the total increase in national income resulting from this government expenditure.	2 2 2 2
16	 The diagram shows the 45° line approach to national income determination, where the aggregate expenditure (AE) curve shifts upward from $C + I$ to $C + I + \Delta I$, leading to a change in equilibrium income from Y 1 to Y 2 Based on the diagram: a) Identify and explain the situation indicated in the diagram in the context of aggregate demand and national income. b) Explain two measures the government or central bank can adopt to correct the situation. c) what does the points E1 and E2 indicates in the diagram?	2 2 2

17	Refer to the given text carefully: The Government of India provides subsidies for domestic LPG cylinders under the Pratyaksha Hastaantarit Laabh (PAHAL) scheme, which is part of the Direct Benefit Transfer for LPG (DBTL) program, transferring the subsidy directly to the bank accounts of eligible households. Launched in 2013, it aims to make cooking fuel affordable for households, especially below the poverty line. On the basis of the given text and common understanding, answer the following questions: a) Identify the objective of the government budget reflected in providing LPG subsidies through the PAHAL scheme and explain. b) Analyse how this objective, if successfully implemented, can impact (i) income distribution and (ii) social welfare in India. OR The Government of India's fiscal deficit has increased in recent years due to higher expenditure on infrastructure and social sector schemes, while revenue receipts have grown at a slower pace. a) Explain the meaning of fiscal deficit. How is it calculated from the components of the government budget? b) Suppose the government's fiscal deficit rises sharply, but its interest payments also increase substantially. Analyse how this situation affects the primary deficit and what it indicates about government finances.	3 3 3 3
	SECTION B – INDIAN ECONOMIC DEVELOPMENT	
18	Which sector contributed the largest share to India's national income at the time of independence? A) Industry B) Services C) Agriculture D) Banking	1
19	Consider the following statements: Statement I: Liberalisation aimed to reduce government controls and restrictions on economic activities. Statement II: Liberalisation encouraged greater participation of the private sector in the economy. Which of the following is correct? A) Statement I is true; Statement II is true. B) Statement I is true; Statement II is false. C) Statement I is false; Statement II is true. D) Both statements are false.	1
20	Which of the following is NOT a component of rural development in India? A) Improving agricultural productivity B) Providing credit and marketing facilities C) Expanding industrial pollution in villages D) Developing rural infrastructure	1

<table>
<tr><td>21</td><td>Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those alternatives given below:
Assertion (A): Pakistan has experienced fluctuations in its economic growth rate since independence.
Reason (R): Pakistan's economy relies heavily on remittances and external financial assistance, making it vulnerable to global economic conditions.
Alternatives:
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.</td><td>1</td></tr>
<tr><td>22</td><td>Consider the following statements:
Statement I: Jobless growth refers to a situation where the economy grows in terms of output, but employment does not increase at the same pace.
Statement II: In India, jobless growth has been linked to rapid technological advancement and low labour absorption in the organized sector.
Which of the following is correct?
A) Statement I is true; Statement II is true.
B) Statement I is true; Statement II is false.
C) Statement I is false; Statement II is true.
D) Both statements are false.</td><td>1</td></tr>
<tr><td>23</td><td>Which of the following is a key feature of organic farming?
A) Heavy use of chemical fertilizers
B) Dependence on synthetic pesticides
C) Use of natural compost and bio-fertilizers
D) High reliance on genetically modified crops</td><td>1</td></tr>
<tr><td>24</td><td>From the set of terms given in Column I and corresponding facts given in Column II, choose the correct pair of statements:
<table><tr><td>Column I</td><td>Column II</td></tr><tr><td>A) Human Capital Formation</td><td>i) Expenditure on education and health</td></tr><tr><td>B) Literacy rate</td><td>ii) Measures the proportion of people who can read and write</td></tr><tr><td>C)On-the-job-training</td><td>iii) raining provided while working</td></tr><tr><td>D) Infant mortality rate</td><td>iv) Number of children dying before age one per thousand live births</td></tr></table>Options:
A) A-ii, B-i, C-iv, D-iii
B) A-i, B-ii, C-iii, D-iv
C) A-iv, B-iii, C-i, D-ii
D) A-i, B-iv, C-ii, D-iii</td><td>1</td></tr>
</table>

25	Which of the following is a major feature of China's industrial policy after the 1978 economic reforms? A) Complete withdrawal of the government from industrial activities B) Establishment of Special Economic Zones (SEZs) to attract foreign investment C) Reduction of exports to protect domestic markets D) Closing down of state-owned enterprises (SOEs) entirely	1
26	Which of the following is a major human-induced cause of land degradation in India? A) Natural soil erosion due to wind. B) Heavy rainfall during monsoon. C) Over-irrigation leading to waterlogging and salinisation. D) Earthquakes and volcanic activity.	1
27	The concept of Social Medicine primarily emphasizes: A) Treatment of diseases in hospitals only. B) Improving individual health through medical technology. C) Prevention of diseases and promotion of public health through social measures. D) Medical education for doctors. OR Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those alternatives given below: Assertion (A): Liberty indicators are used to measure the extent of freedom enjoyed by individuals in a society. Reason (R): They include indicators such as political rights, freedom of speech, freedom of association, and rule of law. Alternatives: 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 1
28	Analyse the role of self-reliance and modernisation in shaping India's industrial and technological policies during the Five-Year Plans. OR Analyse how land reforms in India aimed to promote equity and improve agricultural productivity.	3 3
29	Analyse how liberalisation in the financial sector in India has contributed to economic growth and efficiency.	3
30	Read the following passage carefully and answer the questions below: At the time of independence in 1947, India was predominantly an agricultural economy. More than 70% of the population depended on agriculture for their livelihood, but the sector suffered from low productivity. Industrial and service sectors were underdeveloped, employing only a small fraction of the workforce. This structure resulted in widespread poverty and limited opportunities for non-farm employment. In the light of the given text and common understanding, answer the questions given below:	

	a) Identify the dominant sector in India's occupational structure at the time of independence. b) Analyse the implications of this occupational structure for poverty and economic development in India.	1 3
31	Observe the picture carefully and answer the following questions:  a) Identify the agricultural practice depicted in the diagram and explain it. b) Explain the benefits of such practices.	 2 2
32	Read the passage carefully and answer the questions below: In India, women constitute nearly half of the population, but their participation in the workforce remains low compared to men. Many women work in the informal sector, often in low-paying and insecure jobs. Social norms, lack of education, safety concerns, and inadequate access to skill development programs restrict women's employment opportunities. Efforts like women's self-help groups, vocational training, and government schemes aim to improve female participation, but significant challenges persist. In the light of the given text and common understanding, answer the questions given below: a) Identify two major factors responsible for the low participation of women in the workforce in India. b) Suggest two measures that can help increase female participation in employment and explain their potential impact OR Read the passage carefully and answer the questions below: Farmers in India often face difficulties in selling their produce at fair prices due to dependence on local middlemen and lack of direct access to markets. To overcome this, alternative marketing channels such as farmers' cooperatives, e-NAM (National Agriculture Market), contract farming, and direct marketing through farmer-producer organizations (FPOs) have been promoted. These channels aim to provide better price discovery, reduce exploitation, and connect farmers to larger national and international markets. a) Identify two alternative marketing channels mentioned in the passage. b) Analyse how these channels help improve the income and bargaining power of farmers.	 2 2 2 2

33	Read the following data carefully and answer the questions that follow: Table: Selected Demographic Indicators (2023 estimates) <table><tr><th>Country</th><th>Population Growth Rate (%)</th><th>Population Growth Rate (%)</th><th>Population Growth Rate (%)</th><th>Population Growth Rate (%)</th></tr><tr><td>India</td><td>1.0</td><td>70</td><td>77</td><td>27</td></tr><tr><td>China</td><td>0.1</td><td>78</td><td>97</td><td>7</td></tr><tr><td>Pakistan</td><td>2.0</td><td>67</td><td>59</td><td>55</td></tr></table>Using the data given above, compare the demographic indicators of India, China, and Pakistan. How do these differences reflect the development strategies of each country?	6
34	Refer to the given text carefully: "According to the Periodic Labour Force Survey (PLFS) 2023, nearly 52% of India's workforce is still employed in agriculture, with most being casual labourers or self-employed with low and unstable incomes. Employment in the non-farm sector—such as food processing, repair services, dairy, poultry, tourism and rural crafts—grows at a slower pace than population growth. The informal sector remains dominant: over 80% of workers in rural India work without written contracts, social security, or regular wages. Experts argue that rural diversification is essential to provide more non-farm employment, reduce disguised unemployment, and create sustainable livelihoods." Using the data and insights from the paragraph, explain: a) why diversification is necessary in rural India? b) How does the dominance of the informal sector influence the need for such diversification? OR Refer to the given text carefully: "India faces multiple sustainability challenges—declining groundwater levels, air pollution, increasing carbon emissions, shrinking agricultural productivity, and frequent climate-related disasters. In response, the government has launched initiatives such as PM-KUSUM (promoting solar pumps), National Afforestation Programme, Swachh Bharat Mission, Narmada Bachao initiatives, soil health cards, and waste-to-energy plants. At the same time, rural workers increasingly depend on MGNREGA for employment during periods of drought or flood. Economists argue that environmental sustainability and employment generation must go hand in hand to ensure long-term rural welfare." Based on the above extract, analyse how sustainable development strategies can strengthen rural employment and reduce vulnerability. Explain using examples from the text.	3 3 6