

**KENDRIYA VIDYALAYA SANGATHAN, TINSUKIA REGION**

**PRE-BOARD 2025-26**

**ECONOMICS (030) CLASS 12**

**TIME:3HOURS M.M.–80**

**GENERALINSTRUCTIONS:**

- I. This question paper contains two sections:  
Section A – Macro Economics  
Section B – Indian Economic Development
- II. This paper contains 20 Multiple Choice Type Questions of 1 mark each.
- III. This paper contains 4 Short Answer Type Questions of 3 marks each to be answered in 60 to 80 words.
- IV. This paper contains 6 Short Answer Type Questions of 4 marks each to be answered in 80 to 100 words.
- V. This paper contains 4 Long Answer Type Questions of 6 marks each to be answered in 100 to 150 words.

S. No	SECTION A – MACRO ECONOMICS	Marks
1	<b>Which item is not included in the calculation of national income?</b> A. Employers' contribution to provident fund B. Free services by government C. Defence and security services D. Unemployment allowance	1
2	<b>Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those given below:</b> <b>Assertion (A):</b> GDP at market price includes indirect taxes. <b>Reason (R):</b> Net indirect taxes are added to factor cost to derive market price. <b>Options:</b> 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
3	Which of the following is included in domestic territory of India? (a) SBI branch in London (b) Microsoft office in USA	1



	<p><b>Assertion (A):</b> A persistent Current Account deficit leads to a depletion of a country's foreign exchange reserves.</p> <p><b>Reason (R):</b> To finance a Current Account deficit, a country may use its foreign exchange reserves to pay for excess imports or debt obligations.</p> <p><b>Which of the following is correct?</b></p> <p>A) Both A and R are true, and R is the correct explanation of A.</p> <p>B) Both A and R are true, but R is not the correct explanation of A.</p> <p>C) A is true, but R is false.</p> <p>D) A is false, but R is true.</p>	
<b>10</b>	<p><b>If a country's currency depreciates significantly in a floating exchange rate system, what is the likely impact on its Balance of Payments?</b></p> <p>A) Worsens the Current Account balance due to costlier imports</p> <p>B) Improves the Current Account balance by boosting exports</p> <p>C) Increases the Capital Account deficit due to capital flight</p> <p>D) Has no impact on the Balance of Payments</p>	1
<b>11</b>	<p><b>You are given the following data of a hypothetical economy:</b></p> <ol style="list-style-type: none"> <li>1. Compensation of employees: ₹800 crores</li> <li>2. Rent: ₹100 crores</li> <li>3. Interest: ₹200 crores</li> <li>4. Profit: ₹300 crores</li> <li>5. Net Factor Income from Abroad (NFIA): ₹50 crores</li> </ol> <p><b>Calculate:</b></p> <p>(i) National Income using income method</p> <p>(ii) Name any two components included in "Compensation of employees".</p>	(1+2) 3
<b>12</b>	<p>During a discussion, Sameer argues that credit creation by commercial banks can lead to inflation. Explain how the process of credit creation by banks works and state one way it could contribute to inflation.</p> <p style="text-align: center;"><b>OR</b></p> <p>The Reserve Bank of India (RBI) increased the repo rate by 0.5% to control rising prices in the economy. Explain how an increase in the repo rate can help reduce inflation, and mention one potential drawback for borrowers.</p>	3

<p><b>13</b></p>	<p><b>A country shows high GDP, but its citizens have poor health, low education, and lack basic services.</b></p> <p>Based on this context, answer the following:</p> <p><b>(i)</b> Why might GDP be an insufficient measure of economic welfare?</p> <p><b>(ii)</b> Suggest two better indicators to measure the welfare of people.</p>	<p>(2+2) 4</p>
<p><b>14</b></p>	<p><b>In a hypothetical economy, the MPC (Marginal Propensity to Consume) is 0.75.</b></p> <p><b>(i)</b> Calculate the investment multiplier.</p> <p><b>(ii)</b> If investment increases by ₹100 crore, by how much will the national income increase?</p> <p><b>(iii)</b> Explain the role of MPC in determining the size of multiplier.</p> <p style="text-align: center;"><b>OR</b></p> <p><b>Explain with the help of diagram the concept of deficient demand in macroeconomics.</b></p>	<p>(1+1+2) 4</p>
<p><b>15</b></p>	<p><b>Look at the following image and answer the following questions:</b></p>  <p>The diagram illustrates a transaction between a son in the USA and a mother in India. A dashed line with a dollar sign connects them, and a stack of Indian rupee notes is shown being sent from the son to the mother.</p> <p>a. Identify the type of Balance of Payments (BoP) transaction this represents.</p> <p>b. Specify which account of the BoP is primarily affected by this transaction.</p> <p>c. Explain how this transaction is recorded in India's BoP (as a credit or debit) and why?</p> <p>d. Analyze the likely impact of this transaction on India's foreign exchange reserves</p>	<p>4</p>

<p><b>16</b></p>	<p><b>Read the following case and answer the questions:</b></p> <p>In an economy, people are worried about increasing unemployment and falling income levels. The government increases its spending to build roads and schools.</p> <p>(i) Explain how government expenditure can help achieve equilibrium in income and employment.</p> <p>(ii) Using a diagram, show equilibrium level of income in a 3-sector economy (with government).</p> <p>(iii) What type of unemployment can be reduced by such spending? Justify.</p> <p style="text-align: center;"><b>OR</b></p> <p><b>CALCULATE NNP AT MARKET PRICE BY PRODUCTION METHOD AND INCOME METHOD</b></p> <table border="1" data-bbox="252 819 1294 1440"> <thead> <tr> <th>Sr. No.</th> <th>Items</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Intermediate consumption</td> <td></td> </tr> <tr> <td></td> <td>(a) primary sector</td> <td>500</td> </tr> <tr> <td></td> <td>(b) Secondary sector</td> <td>400</td> </tr> <tr> <td></td> <td>(c) tertiary sector</td> <td>300</td> </tr> <tr> <td>2.</td> <td>Value of output</td> <td></td> </tr> <tr> <td></td> <td>(a) primary sector</td> <td>1,000</td> </tr> <tr> <td></td> <td>(b) Secondary sector</td> <td>900</td> </tr> <tr> <td></td> <td>(c) tertiary sector</td> <td>700</td> </tr> <tr> <td>3.</td> <td>Rent</td> <td>10</td> </tr> <tr> <td>4.</td> <td>Emoluments of employers</td> <td>400</td> </tr> <tr> <td>5.</td> <td>Mixed income</td> <td>650</td> </tr> <tr> <td>6.</td> <td>Operating surplus</td> <td>300</td> </tr> <tr> <td>7.</td> <td>Net factor income from abroad</td> <td>-20</td> </tr> <tr> <td>8.</td> <td>Interest</td> <td>5</td> </tr> <tr> <td>9.</td> <td>Consumptive of fixed capital</td> <td>40</td> </tr> <tr> <td>10.</td> <td>Net indirect tax</td> <td>10</td> </tr> </tbody> </table>	Sr. No.	Items	Amount	1.	Intermediate consumption			(a) primary sector	500		(b) Secondary sector	400		(c) tertiary sector	300	2.	Value of output			(a) primary sector	1,000		(b) Secondary sector	900		(c) tertiary sector	700	3.	Rent	10	4.	Emoluments of employers	400	5.	Mixed income	650	6.	Operating surplus	300	7.	Net factor income from abroad	-20	8.	Interest	5	9.	Consumptive of fixed capital	40	10.	Net indirect tax	10	<p>(2+2+2)</p> <p>6</p>
Sr. No.	Items	Amount																																																			
1.	Intermediate consumption																																																				
	(a) primary sector	500																																																			
	(b) Secondary sector	400																																																			
	(c) tertiary sector	300																																																			
2.	Value of output																																																				
	(a) primary sector	1,000																																																			
	(b) Secondary sector	900																																																			
	(c) tertiary sector	700																																																			
3.	Rent	10																																																			
4.	Emoluments of employers	400																																																			
5.	Mixed income	650																																																			
6.	Operating surplus	300																																																			
7.	Net factor income from abroad	-20																																																			
8.	Interest	5																																																			
9.	Consumptive of fixed capital	40																																																			
10.	Net indirect tax	10																																																			
<p><b>17</b></p>	<p><b>COVID-19 Relief Measures (2020-21 Budget)</b></p> <p>During the COVID-19 pandemic, the Government of India introduced the Atmanirbhar Bharat package in 2020, allocating ₹20 lakh crore (about 10% of GDP) for economic support. This included cash transfers, food subsidies for the poor, and credit guarantees for small businesses. The government increased revenue expenditure, leading to a fiscal deficit of 9.3% of GDP in 2020-21.</p> <p><b>Questions:</b></p> <p>a) Differentiate between revenue expenditure and capital expenditure with reference to the case. (2 marks)</p> <p>b) Explain how the Atmanirbhar Bharat package reflects the welfare objectives</p>	<p>(2+2+2)</p> <p>6</p>																																																			

	of a government budget. (2 marks) c) Discuss one advantage and one disadvantage of financing the fiscal deficit through borrowing in this context. (2 marks)	
<b>SECTION – B INDIAN ECONOMICS DEVELOPMENT</b>		
<b>18</b>	<p><b>Read the following statements: Assertion (A) and Reason (R).</b>Assertion (A): During 1947–1990, India followed a mixed economy model with a focus on public sector enterprises.</p> <p><b>Reason (R):</b> The government aimed to achieve self-reliance and reduce dependence on foreign imports through import substitution policies.</p> <p><b>Options:</b></p> <p>A) Both A and R are true, and R is the correct explanation of A. B) Both A and R are true, but R is not the correct explanation of A. C) A is true, but R is false. D) A is false, but R is true.</p>	1
<b>19</b>	<p><b>Read the following statements: Assertion (A) and Reason (R).</b>Assertion (A): The economic reforms of 1991 were initiated due to a balance of payments crisis.</p> <p><b>Reason (R):</b> India’s foreign exchange reserves were critically low, forcing the government to pledge gold to secure international loans.</p> <p><b>Options:</b></p> <p>A) Both A and R are true, and R is the correct explanation of A. B) Both A and R are true, but R is not the correct explanation of A. C) A is true, but R is false. D) A is false, but R is true.</p>	1
<b>20</b>	<p><b>The stock of 'skill and expertise' at a point of time is known as:</b></p> <p>A.Social infrastructure B.Human capital C.Physical capital D.None of these</p>	1
<b>21</b>	<p><b>Read the following statements -Assertion (A) and Reason (R):</b></p> <p><b>Assertion (A)</b>– Education contributes to economic growth.</p> <p><b>Reason(R)</b>– Education confers higher earning capacity on people.</p> <p><b>Alternatives:</b></p> <p>A.Both Assertion (A) and Reason (R) are true and Reason (R) is the correct</p>	1

	<p>explanation of Assertion (A).</p> <p>B.Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).</p> <p>C.Assertion (A) is true but Reason (R) is false.</p> <p>D.Assertion (A) is false but Reason (R) is true.</p>											
22	<p>The Self-Help Groups promote thrift among rural households and promote _____credit programmes.</p> <p><b>a. Macro</b><b>b. Micro</b></p> <p><b>c. External</b><b>d. Industrial</b></p>	1										
23	<p><b>Assertion (A):</b> Diversification of crop production led to shift from single cropping system to a multi-cropping system.</p> <p><b>Reason (R):</b> It reduced the income of farmers due to increase in market risk because of price fluctuation.</p> <p>(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).</p> <p>(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).</p> <p>(c) Assertion (A) is true, but Reason (R) is false.</p> <p>(d) Assertion (A) is false, but Reason(R) is true</p>	1										
24	<p><b>Match the following:</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Column -I</th> <th style="text-align: center;">Column -II</th> </tr> </thead> <tbody> <tr> <td>(i) Distribution of foodgrains at subsidised rates</td> <td>(a) NABARD</td> </tr> <tr> <td>(ii) Assurance of minimum price to farmers for agricultural products</td> <td>(b) TANWA</td> </tr> <tr> <td>(iii) Apex bank for monitoring Rural financing</td> <td>(c) MSP</td> </tr> <tr> <td>(iv) Project initiated to train women in latest agricultural techniques</td> <td>(d) PDS</td> </tr> </tbody> </table> <p><b>Option:</b></p> <p>A. (i) (d) (ii) (c) (iii) (a) (iv) (b)    B. (i) (c) (ii) (d) (iii) (b) (iv) (a)</p> <p>C. (i) (d) (ii) (a) (iii) (c) (iv) (b)    D. (i) (b) (ii) (c) (iii) (d) (iv) (a)</p>	Column -I	Column -II	(i) Distribution of foodgrains at subsidised rates	(a) NABARD	(ii) Assurance of minimum price to farmers for agricultural products	(b) TANWA	(iii) Apex bank for monitoring Rural financing	(c) MSP	(iv) Project initiated to train women in latest agricultural techniques	(d) PDS	1
Column -I	Column -II											
(i) Distribution of foodgrains at subsidised rates	(a) NABARD											
(ii) Assurance of minimum price to farmers for agricultural products	(b) TANWA											
(iii) Apex bank for monitoring Rural financing	(c) MSP											
(iv) Project initiated to train women in latest agricultural techniques	(d) PDS											
25	<p><b>Which of the following statements is not true about disguised unemployment?</b></p> <p>(a) It is mostly found in agriculture sector in India.</p>	1										

	<p>(b) The output does not fall even if some workers are withdrawn.</p> <p>(c) The Marginal Product (additional output generated by employing one additional unit of labour) is maximum.</p> <p>(d) More than required number of workers are employed for a job which less can accomplish.</p>	
<b>26</b>	<p><b>Which of the following is a strategy of sustainable development?</b></p> <p>A. Solar power through photovoltaic cells</p> <p>B. Use of CNG</p> <p>C. Traditional knowledge and practices</p> <p>D. All of these</p>	1
<b>27</b>	<p><b>What is a key difference between India and China in terms of their development strategy post-1991?</b></p> <p>A) India focused on agriculture, while China focused on services</p> <p>B) China emphasized manufacturing and exports, while India focused on services</p> <p>C) India adopted a fully socialist model, while China liberalized completely</p> <p>D) China avoided foreign investment, while India encouraged it</p>	1
<b>28</b>	<p><b>“It is necessary to create employment in the formal sector rather than in the informal sector.”</b> Defend or refuse the given statement.</p> <p style="text-align: center;"><b>OR</b></p> <p><b>“The Prime Minister urged to increase the rural income by increasing non-farm activities.”</b> Explain how non- Farm activities can lead to rise in income of people in rural sector</p>	3
<b>29</b>	<p><b>“China’s one-child norm significantly reduced its population growth rate”.</b>Analyze three socio-economic implications of this policy for China’s development.</p>	3
<b>30</b>	<p>Globalisation has integrated India with the world economy but also created challenges. Evaluate four challenges faced by Indian industries due to Globalisation post-1991.</p>	4
<b>31</b>	<p>Explain the role of the service sector in the economic development of India and Pakistan.</p> <p style="text-align: center;"><b>OR</b></p>	4

	Compare the development approaches of India and China between 1947 and 1990.	
32	<p><b>CASE STUDY</b></p> <p>Since ages, farmers in India have taken recourse to debt. In the earlier times the same was from informal sources. Since independence with the efforts of the government, formal sector has actively come into picture. Farmers borrow not only to meet their investment needs but also to satisfy their personal needs. Uncertainty of income caused by factors likes crop failure caused by irregular rainfall, Reduction in ground water level, locust/other pest attack etc. These reasons push them into the clutches of the private money Lenders, who charge exorbitant rates of interest which add to their miseries.</p> <p>Various governments in India, at different times for different reasons, introduced debt relief/waiver schemes. These schemes are Used by governments as a quick means to extricate farmers from their indebtedness, helping to restore their capacity to invest and produce, in short to lessen the miseries of the farmers across India. The costs and benefits of such debt relief schemes are, however, a widely debated topic among economists. Some economists argue that such schemes are extremely beneficial to the marginalized farmers while others argue that these schemes add to the fiscal burden of the government, others believe that these schemes may develop the expectation of repeated bailouts among farmers which may spoil the credit culture among farmers.</p> <p><b>Question:</b></p> <p>i) Uncertainty of income for farmers in India is majorly caused by _____ (<b>irregular rainfall/unavailability of loans</b>)</p> <p>ii) Some economists argue that debt waiver schemes are extremely beneficial to the poor and marginalized farmers, as these Schemes reduce the burden of _____ (<b>indebtedness/personal expenditures</b>)</p> <p>iii)The rural banking structure in India consists of a set of multi-agency institutions. _____ (<b>Regional Rural Banks /Small Industries Development Bank of India</b>) is expected to dispense credit at cheaper rates for agricultural purposes to farmers.</p> <p>iv) _____ (<b>Regional Rural Banks/ Land Development Banks</b>) is the most prominent body responsible for providing loans for long term land</p>	4

	development.															
33	<p>Explain how the LPG reforms of 1991 impacted India's fiscal policy and discuss their role in addressing the balance-of-payments crisis.</p> <p style="text-align: center;"><b>OR</b></p> <p>Analyze the key developmental achievements and challenges in India from 1947 to 1990.</p>	6														
34	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Country</th> <th style="text-align: center;">Fertilizer consumption (kg/hectare of arable land)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;"><b>Sri Lanka</b></td> <td style="text-align: center;"><b>284.3</b></td> </tr> <tr> <td style="text-align: center;"><b>Bangladesh</b></td> <td style="text-align: center;"><b>164.5</b></td> </tr> <tr> <td style="text-align: center;"><b>Pakistan</b></td> <td style="text-align: center;"><b>163.3</b></td> </tr> <tr> <td style="text-align: center;"><b>India</b></td> <td style="text-align: center;"><b>153.5</b></td> </tr> <tr> <td style="text-align: center;"><b>Bhutan</b></td> <td style="text-align: center;"><b>9.0</b></td> </tr> <tr> <td style="text-align: center;"><b>Nepal</b></td> <td style="text-align: center;"><b>7.7</b></td> </tr> </tbody> </table> <p>The above table shows the consumption of chemical fertilizer by India and the neighboring countries in 2021. Compare the data. Discuss the alternatives of chemical fertilizer in context of India.</p>	Country	Fertilizer consumption (kg/hectare of arable land)	<b>Sri Lanka</b>	<b>284.3</b>	<b>Bangladesh</b>	<b>164.5</b>	<b>Pakistan</b>	<b>163.3</b>	<b>India</b>	<b>153.5</b>	<b>Bhutan</b>	<b>9.0</b>	<b>Nepal</b>	<b>7.7</b>	6
Country	Fertilizer consumption (kg/hectare of arable land)															
<b>Sri Lanka</b>	<b>284.3</b>															
<b>Bangladesh</b>	<b>164.5</b>															
<b>Pakistan</b>	<b>163.3</b>															
<b>India</b>	<b>153.5</b>															
<b>Bhutan</b>	<b>9.0</b>															
<b>Nepal</b>	<b>7.7</b>															