

KENDRIYA VIDYALYA SANGATHAN REGIONAL OFFICE - TINSUKIA
PRE-BOARD EXAMINATION 2025-26
CLASS XII
ECONOMICS (030)

TIME: 3 HOURS

M.M.–80

GENERAL INSTRUCTIONS:

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

Q. NO.	SECTION A - MACROECONOMICS	MARKS
1	<p>Read the following statements carefully:</p> <p>Statement 1: When marginal propensity to consume is zero, the value of investment multiplier will also be zero.</p> <p>Statement 2: Investment multiplier is directly proportional to MPC.</p> <p>In light of the given statements, choose the correct alternative from the following:</p> <p>(a) Statement 1 is true and Statement 2 is false.</p> <p>(b) Statement 1 is false and Statement 2 is true.</p> <p>(c) Both Statements 1 and 2 are true.</p> <p>(d) Both Statements 1 and 2 are false.</p>	1
2	<p>National Income does not include:</p> <p>(a) Old-age pensions</p> <p>(b) Money sent by an NRI to his family in India</p> <p>(c) Transfer payments from the rest of the world</p> <p>(d) Both (a) and (c)</p>	1
3	<p>According to the theory of Keynesian Economics, the value of average propensity to consume can never be _____. (Choose the correct alternative)</p> <p>(a) Zero</p> <p>(b) Unity</p> <p>(c) More than one</p> <p>(d) Less than one</p>	1
4	<p>Read the following statements-Assertion (A) and Reason (R), and select the correct alternative:</p> <p>Assertion (A): Accommodating items of trade are undertaken in order to maintain the balance in the BOP account.</p> <p>Reason (R): Accommodating items are net consequences of autonomous transactions that are undertaken to correct disequilibrium in autonomous items of BOP.</p> <p>Alternatives:</p> <p>(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).</p>	1

	(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. (e)											
5	Match the items in column A to those in column B and choose the correct option: <table><tr><th>Column A</th><th>Column B</th></tr><tr><td>1. Money</td><td>(i) Supply of money</td></tr><tr><td>2. Commercial bank</td><td>(ii) Store of value</td></tr><tr><td>3. Central bank</td><td>(iii) Control of credit</td></tr><tr><td>4. M4</td><td>(iv) Most liquid</td></tr></table> Alternatives: (a) 1-(i) (b) 2-(ii) (c) 3-(iii) (d) 4-(iv)	Column A	Column B	1. Money	(i) Supply of money	2. Commercial bank	(ii) Store of value	3. Central bank	(iii) Control of credit	4. M4	(iv) Most liquid	1
Column A	Column B											
1. Money	(i) Supply of money											
2. Commercial bank	(ii) Store of value											
3. Central bank	(iii) Control of credit											
4. M4	(iv) Most liquid											
6	Suppose in an economy, initial deposits of ₹ 500 crore lead to creation of total deposits worth ₹ 5000 crore. Under the above situation the value of reserve requirements would be: (a) 0.01 (b) 1 (c) 0.1 (d) 0.05	1										
7	Read the following statements-Assertion (A) and Reason (R), and select the correct alternative: Assertion (A): The goods which are used either for resale or for further production in the same year are intermediate goods. Reason (R): Intermediate goods are included in national income. 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										
8	Identify which of the following statements is true? (a) The flexible exchange rate system gives the government more flexibility to maintain large stocks of foreign exchange reserves. (b) In the Managed floating exchange rate system, the government intervenes to buy and sell foreign currencies. (c) In the Managed floating exchange rate system, the central bank intervenes to moderate exchange rate fluctuations. (d) In the Fixed exchange rate system, market forces fix the exchange rate.	1										
9	Read the following statements carefully: Statement I: Gross Domestic Product (GDP) is the sum total of the gross market values of all the final goods and services added by all the sectors in the economy during a final year. Statement II: Gross Value Added at Market Price (GVAMP) is equal to the excess of value of output over intermediate consumption. Alternatives: (a) Statement I is true and Statement II is false (b) Statement I is false and Statement II is true (c) Both statements are true (d) Both statements are false	1										
10	A fall in the repo rate, is likely to: (a) Decrease money supply in the economy (b) Increase credit creation by commercial banks (c) Reduce borrowing by firms and households (d) Contract aggregate demand	1										

11	Explain any two instruments of credit control, exercised by the Reserve Bank of India.	3																											
12	<div>From the following data, calculate Net Value Added at Factor Cost:</div> <table><tr><th>S.No.</th><th>Items</th><th>Amount (₹ in crore)</th></tr><tr><td>i.</td><td>Sales</td><td>300</td></tr><tr><td>ii.</td><td>Opening stock</td><td>40</td></tr><tr><td>iii.</td><td>Depreciation</td><td>30</td></tr><tr><td>iv.</td><td>Intermediate consumption</td><td>120</td></tr><tr><td>v.</td><td>Exports</td><td>50</td></tr><tr><td>vi.</td><td>Change in stock</td><td>20</td></tr><tr><td>vii.</td><td>Net Indirect Taxes</td><td>15</td></tr><tr><td>viii.</td><td>Factor Income to Abroad</td><td>10</td></tr></table> <div>OR</div> <div>Read the following statements carefully. Write ‘True’ or ‘False’ with a reason: (A) Both value added and value of output are identical concepts. (B) Sum of value added is equal to sum of factor incomes.</div>	S.No.	Items	Amount (₹ in crore)	i.	Sales	300	ii.	Opening stock	40	iii.	Depreciation	30	iv.	Intermediate consumption	120	v.	Exports	50	vi.	Change in stock	20	vii.	Net Indirect Taxes	15	viii.	Factor Income to Abroad	10	<div>3</div> <div>3</div> <div>3</div>
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13	An economy is in equilibrium. Calculate the Marginal Propensity to Save from the following: National Income = 1000 Autonomous Consumption = 100 Investment = 120	4																											
14	<div>"Externalities can be classified into negative or positive, however it is not necessary that they will be directly correlated with the Gross Domestic Product."</div> <div>Do you agree with the given statement? Give valid reasons in support of your answer.</div> <div>Or</div> <div>Will the following be included in the domestic product of India? Give reasons for your answer.</div> <div>(i) Profits earned by foreign companies in India. (ii) Salaries of Indians working in the Russian Embassy in India. (iii) Profits earned by a branch of State Bank of India in Japan. (iv) Financial assistance to flood victims.</div>	<div>1+3</div> <div>1+1+1+1</div>																											
15	<div>"Foreign Institutional Investors (FIIs) remained net seller in the Indian capital markets over the last few weeks". -The Economic Times.</div> <div>State and discuss the likely effects of the given statement on foreign exchange rate with reference to the Indian Economy.</div>	4																											
16	<div>(I) In a hypothetical economy, the Marginal Propensity to Consume (MPC) is 0.75. An initial increase in investment of ₹ 500 crore leads to a manifold increase in National Income (Y) and Consumption Expenditure (C). Complete the following table by estimating the missing values of (i) and (ii):</div> <table><tr><th>Rounds</th><th>Change in Investment (ΔI)</th><th>Change in Income (ΔY)</th><th>Change in Consumption (ΔC)</th><th>Change in Savings (ΔS)</th></tr><tr><td>I</td><td>500</td><td>500</td><td>375</td><td>125</td></tr><tr><td>II</td><td>—</td><td>375</td><td>281.25</td><td>93.75</td></tr><tr><td>III</td><td>—</td><td>281.25</td><td>(i)</td><td>(ii)</td></tr></table> <div>(a) Calculate the value of the investment multiplier. (b) Find the missing values (i) and (ii)</div> <div>(II) “Involuntary unemployment arises when Aggregate Demand is deficient.” Explain this statement in the context of Keynesian theory of employment.</div>	Rounds	Change in Investment (ΔI)	Change in Income (ΔY)	Change in Consumption (ΔC)	Change in Savings (ΔS)	I	500	500	375	125	II	—	375	281.25	93.75	III	—	281.25	(i)	(ii)	3+3							
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	<p style="text-align: center;">OR</p> <p>(I) In a hypothetical economy, the consumption function is $C=50+0.7Y$. If equilibrium income is ₹ 1,000 crores, calculate the level of investment.</p> <p>(II) Define “Inflationary Gap.” Explain two measures the government can adopt to reduce an inflationary gap</p>	3+3
17	<p>Refer to the given text carefully:</p> <p>Government Budget and Economic Stability</p> <p>“The budget in a modern economy is not merely a statement of the government’s financial plan; it is an instrument of fiscal policy that can stabilise the economy. During periods of demand deficiency, when unemployment is rising and production is below capacity, the government can adopt an expansionary budgetary policy—raising public expenditure or lowering taxes—to boost aggregate demand. Conversely, when inflationary pressures are building up due to excess demand, the government may implement a contractionary budget—cutting down non-essential spending or increasing taxes—to cool down aggregate demand. Thus, the budget acts as a corrective and balancing tool, helping in smoothing trade-cycles.”</p> <p><i>Adapted from NCERT: “Government Budget and the Economy.”</i></p> <p>On the basis of the given text and common understanding, answer the following questions:</p> <p>Read the above passage carefully and answer the following:</p> <ol style="list-style-type: none"> (a) What are the two contrasting situations in the economy mentioned in the passage that require different budgetary responses? (b) For each situation, mention one budgetary measure the government can adopt. Explain how the budget helps in smoothing business cycles and contributing to economic stability. 	3+3

Q. NO.	SECTION B – INDIAN ECONOMIC DEVELOPMENT	MARKS										
18	Policy of ‘Import Substitution’ was targeted to protect _____ industries. (Fill up the blank with correct answer)	1										
19	Arrange the following events of China in chronological order and choose the correct alternative: (i) Great Proletarian Cultural Revolution (ii) Great Leap Forward campaign (iii) Introduction of Economic Reforms (iv) First five year plan Choose the correct alternative: (a) ii, iv, iii, i (b) iv, ii, i, iii (c) ii, iv, i, iii (d) iv, i, ii, iii	1										
20	Identify the correct sequence of alternatives given in Column II by matching them with respective items in Column I: <table><tr><th>Column I</th><th>Column II</th></tr><tr><td>A. Capitalist economy</td><td>(i) Growth with social justice</td></tr><tr><td>B. Long period goal</td><td>(ii) Means of transport and communication</td></tr><tr><td>C. Economic Infrastructure</td><td>(iii) Focus on agricultural growth</td></tr><tr><td>D. First Five Year Plan</td><td>(iv) Private ownership of the means of production</td></tr></table>	Column I	Column II	A. Capitalist economy	(i) Growth with social justice	B. Long period goal	(ii) Means of transport and communication	C. Economic Infrastructure	(iii) Focus on agricultural growth	D. First Five Year Plan	(iv) Private ownership of the means of production	1
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C. Economic Infrastructure	(iii) Focus on agricultural growth											
D. First Five Year Plan	(iv) Private ownership of the means of production											

	Alternatives: a)A-ii, B-iii, C-iv, D-i b)A-iv, B-iii, C-ii, D-i c)A-iii, B-iv, C-i, D-ii d)A-iv, B-i, C-ii, D-iii							
21	_____ is the step taken by the Government to ensure farmers are protected against distress sales. Options: A. Procurement of food grains at MSP B. Regulation of markets C. Provision of cold storage facilities D. Crop diversification	1						
22	Micro credit programmes play a vital role in ensuring an overall development of the rural economy as they _____. (i) Provide financial support (ii) Lead to women empowerment (iii) Enhance the reach of formal credit system Alternatives: (a) Only (i) and (ii) (b) Only (ii) and (iii) (c) Only (i) and (iii) (d) (i), (ii) and (iii)	1						
23	Read the following statements-Assertion (A) and Reason (R), and select the correct alternative: Assertion (A): Investment in education and health is considered an investment in human capital. Reason (R): A healthier and more educated population contributes to higher productivity and long-term economic growth. 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						
24	Match the following: <table border="1"><tr><td>(A) Organic farming</td><td>(i) Shift of workforce from agriculture to other allied activities</td></tr><tr><td>(B) Agricultural marketing</td><td>(ii) Process involves assembling, storage, packaging and distribution of different Agricultural activities</td></tr><tr><td>(C) Diversification</td><td>(iii) System enhances the ecological balance</td></tr></table> (a) A-iii, B-ii, C-i (b) A-iii, B-i, C-ii (c) A-i, B-ii, C-iii (d) A-ii, B-iii, C-i	(A) Organic farming	(i) Shift of workforce from agriculture to other allied activities	(B) Agricultural marketing	(ii) Process involves assembling, storage, packaging and distribution of different Agricultural activities	(C) Diversification	(iii) System enhances the ecological balance	1
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(C) Diversification	(iii) System enhances the ecological balance							
25	A farmer wants to take credit to meet his expenditure on agricultural inputs. Which of the following is not an institution he may approach for credit? a) Regional Rural Banks (RRBs) (b) National Bank for Agriculture and Rural Development (c) Commercial Banks (d) Land Development Banks	1						
26	Read the following statements carefully:	1						

	<p>Statement 1:Self-employment is higher in rural areas compared to urban areas.</p> <p>Statement 2: Family farms are the most attractive means of employment in rural areas.</p> <p>In light of the given statements, choose the correct alternative from the following:</p> <p>(a) Statement 1 is true and Statement 2 is false.</p> <p>(b) Statement 1 is false and Statement 2 is true.</p> <p>(c) Both Statements 1 and 2 are true.</p> <p>(d) Both Statements 1 and 2 are false</p>																					
27	<p>From the set of the events given in column I and corresponding facts given in Column II, choose the correct pair of statements:</p> <table><tr><td></td><td>Column I</td><td></td><td>Column II</td></tr><tr><td>A.</td><td>Technical and professional education</td><td>I.</td><td>UGC</td></tr><tr><td>B.</td><td>Higher education</td><td>II.</td><td>ICMR</td></tr><tr><td>C</td><td>Teacher education</td><td>III.</td><td>NCTE</td></tr><tr><td>D.</td><td>Health sector</td><td>IV.</td><td>AICTE</td></tr></table> <p>Alternatives:</p> <p>a)A-I b)B-II</p> <p>c)C-III d)D-IV</p>		Column I		Column II	A.	Technical and professional education	I.	UGC	B.	Higher education	II.	ICMR	C	Teacher education	III.	NCTE	D.	Health sector	IV.	AICTE	1
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28	<p>“China recorded an average growth rate of 9.5% during 1980–2015, emerging as the fastest growing economy in the world. However, the rapid growth also led to regional disparities, environmental degradation and income inequality.”</p> <p>Do you agree with the given statement? Justify your answer with valid arguments.</p>	3 3																				
29	<p>“Unemployment in India is largely structural and frictional due to rapid changes in the economy and skill mismatches.”</p> <p>Elaborate the given statement.</p> <p style="text-align: center;">OR</p> <p>Distinguish between formal sector employment and informal sector employment with the help of a suitable example.</p>	3																				
30	<p>(A) “The British colonial rule led to the economic stagnation of India in two major ways.”</p> <p>Justify the given statement, with valid explanation.</p> <p style="text-align: center;">OR</p> <p>(B) Refer to the given information carefully:</p> <table><tr><td>Indicator</td><td>1901-10</td><td>1921-30</td><td>1941-50</td><td>Increase in literacy rate during 50 years</td></tr><tr><td>Literacy Rate (Overall)</td><td>5.3%</td><td>7.2%</td><td>12.2%</td><td>6.9%</td></tr><tr><td>Literacy Rate (Male)</td><td>9.8%</td><td>12.3%</td><td>19.8%</td><td>10.0%</td></tr><tr><td>Literacy Rate (Female)</td><td>0.7%</td><td>1.8%</td><td>7.2%</td><td>6.6%</td></tr></table> <p>Source: Census of India Historical Data</p> <p>Answer the following questions on the basis of the given information and common understanding:</p> <p>(I) Identify and define the social indicator given in the above table.</p>	Indicator	1901-10	1921-30	1941-50	Increase in literacy rate during 50 years	Literacy Rate (Overall)	5.3%	7.2%	12.2%	6.9%	Literacy Rate (Male)	9.8%	12.3%	19.8%	10.0%	Literacy Rate (Female)	0.7%	1.8%	7.2%	6.6%	4
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The Annual Status of Education Report (ASER) 2022 highlights that while India has achieved near-universal enrolment in primary education, the real challenge lies in improving the quality of learning. For example, only 20% of Class 3 students could read a Class 2 level text fluently. Similarly, a large proportion of students in upper primary classes lack basic arithmetic skills. To address these challenges, the government has emphasised the need for investment in teacher training, digital learning resources, and better monitoring of learning outcomes. Programmes like Samagra Shiksha and PM e-Vidya aim to provide holistic education and bridge the digital divide among students. Source: Annual Status of Education Report (ASER), Pratham (adapted and modified)

On the basis of the given text and your understanding, answer the following questions:

(I) Why is improving the quality of education as important as improving enrolment?

(II) Explain any two government initiatives aimed at improving learning outcomes in India.

(III) Suggest two measures (other than those mentioned) that can help reduce the digital divide in education.