



B.K. BIRLA CENTRE FOR EDUCATION

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

TERM - I EXAMINATION (2025-26) ECONOMICS

Class: XII
Date: 10.09.25
Admission no:

Time: 3 hrs
Max Marks: 80
Roll no.:

GENERAL INSTRUCTIONS:

Read the following instructions carefully and follow them :

- (i) This question paper contains 34 questions. All questions are compulsory.*
- (ii) This question paper contains 20 Multiple Choice type questions. Each question carries 1 mark.*
- (iii) This question paper contains 4 Short Answer Type-I questions. Each question carries 3 marks. Answer these questions in 60 to 80 words.*
- (iv) This question paper contains 6 Short Answer Type-II questions. Each question carries 4 marks. Answer these questions in 80 to 100 words.*
- (v) This question paper contains 4 Long Answer type questions. Each question carries 6 marks. Answer these questions in 100 to 150 words.*
- (vi) Attempt all parts of a question together.*
- (vii) 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.*

MACRO ECONOMICS

1. Suppose in an economy there exist autonomous investments, which are independent of the level of income. Graphically, the autonomous investments curve would be _____. 1)
- (A) a straight line parallel to y-axis
(B) a straight line parallel to x-axis
(C) an upward sloping straight line at x-intercept, in the positive quadrant
(D) a downward sloping straight line at y-intercept
2. If the total credit created by the banks is ₹ 500 and Reserve Ratio is 20%, the value of primary deposits would be _____. 1)
- (A) ₹ 200 (B) ₹ 300
(C) ₹ 100 (D) ₹ 500
3. Read the following statements carefully: 1)
- Statement 1:** Real National Income is always less than Nominal National Income.
Statement 2: Real National Income is the money value of all the final goods and services produced by the normal residents of an economy in an accounting year, measured at the base year prices.
In the 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.

4. In the Keynesian economic analysis, determination of equilibrium income in the short-run is usually expressed as _____. 1)

- (i) Ex-ante Aggregate Demand = Ex-ante Aggregate Supply
- (ii) Consumption (C) + Investment (I) = Savings
- (iii) Consumption (C) + Investment (I) = National Income
- (iv) Ex-ante Savings = Ex-ante Investments

Alternatives:

- (A) (i) and (ii)
- (B) (i) and (iv)
- (C) (i), (ii) and (iv)
- (D) (i), (iii) and (iv)

5. Read the following statements carefully: 1)

Statement 1: Keeping other things constant, there exists positive correlation between the price of foreign exchange and its demand.

Statement 2: The foreign exchange rate indicates a country's purchasing power in international markets.

In the light of the given statements, choose the correct option 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.

6. Read the following statements carefully: 1)

Statement 1: The value of Average Propensity to Save (APS) can be greater than one.

Statement 2: Break-even point is the level at which level of consumption is equal to the income.

In the 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.

7. To arrive at the value of Gross Value Added at Factor Cost (GVA at FC), _____ must be _____ to/from Gross Value Added at Market Price (GVA at MP). 1)

- (A) depreciation, added
- (B) depreciation, subtracted
- (C) Net Indirect Taxes, added
- (D) Net Indirect Taxes, subtracted

8. From the following statements, identify the incorrect statement in case of underemployment equilibrium. (Choose the correct alternative) 1)

- (A) Resources are fully and efficiently utilised.
- (B) An existence of excessive production capacity in the economy.
- (C) Aggregate supply is equal to Aggregate demand below full employment level.
- (D) Resources are not fully and efficiently utilised.

9. Identify, which of the following are the correct features of money supply in an economy. 1)

- (i) It is a stock concept.
- (ii) It includes money held by banks and government.
- (iii) It is a flow concept.
- (iv) It includes money held by households and firms.

Alternatives:

- (A) (i) and (iv)
- (B) (ii) and (iii)
- (C) (iii) and (iv)
- (D) (i) and (ii)

10. Identify, which of the following items will not be included in estimating National Income of India. 1)
- (A) Salary to Indian residents working at the Russian Embassy in India
 - (B) Income generated from smuggling
 - (C) Payments to farm workers in the form of foodgrains
 - (D) Interest paid by a firm to a bank

11. Using the given information, complete the following table: 1)

	2014 - 2015	2016 - 2017
NOMINAL GDP	6.5	9
REAL GDP	...(i)...	7.2
GDP DEFLATOR	100 (ii)...

Options:

- (A) 125, 100
- (B) 125, 110
- (C) 6.5, 125
- (D) 100, 6.5

12. _____ releases data of money supply in India. 1)

- (A) Corporation Bank
- (B) Reserve Bank of India
- (C) Commercial Banks
- (D) State Bank of India

13. Read the following statements carefully: 1)

Statement 1: Open Market Operations refers to purchase/sale of Government Securities (G-Sec) by the Central Bank.

Statement 2: To decrease money supply, Central Bank will sell the Government Securities to commercial banks.

In the light of the given statements, choose the correct option 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.

14. Commercial banks are regarded as money creators because: 1)

- (A) they purchase securities from the Central Bank.
- (B) loans provided by them create deposits.
- (C) they act as a banker to the government.
- (D) they regulate the lending rate in the economy.

15. Under the _____ Exchange Rate System, the Central Bank can control the foreign exchange rate in a range bound manner. 1)

- (A) Fixed
- (B) Flexible
- (C) Managed floating
- (D) Gold standard

16. Read the following statements Assertion (A) and Reason (R) carefully. 1)

Choose the correct option from those given below:

Assertion (A): Shipping service provided by an Indian company to foreign companies will be recorded in current account of Balance of Payments (BOP).

Reason (R): Current account of Balance of Payments (BOP) does not alter the status of the asset or liabilities of the residents of India.

Options:

- (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.

17. Read the following statements Assertion (A) and Reason (R) carefully. 1)

Assertion (A): Other things remaining constant, devaluation of domestic currency may lead to rise in National Income of the nation.

Reason (R): Devaluation of domestic currency refers to reduction in the value of domestic currency by the government with respect to foreign currency under the fixed exchange rate system. 6

18. Central Bank can decrease the money supply in the economy by _____. 1)

- (A) lowering the cash reserve (B) increasing the bank rate
(C) lowering the bank rate (D) purchase of G-Secs (Government Securities)

19. Value addition = _____ - Value of Intermediate consumption. 1)

- (A) Domestic sales (B) Sales – Change in Stock
(C) Value of output (D) (Number of units produced) X (Price per unit)

20. Find the items given in Column – I and Column – II, choose the correct pair. 1)

Round	Deposits	Loans (80%)	Reserve Ratio (20%)
I	5000	4000	..(i)..
II	4000	..(ii)..	800
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Total	..(iii)..	..(iv)..	5000

Alternatives :

- (A) 1000, 800, 20000, 25000 (B) 5000, 3200, 25000, 20000
(C) 1000, 3200, 25000, 20000 (D) 1000, 800, 20000, 25000

21. (A) On the basis of the data given below for an imaginary economy, estimate the value of Net Domestic Product at Factor Cost (NDP at FC): 3)

S.No.	Items	Amount (in ₹ Crores)
(i)	Gross domestic fixed capital formation	200
(ii)	Exports	50
(iii)	Government final consumption expenditure	320
(iv)	Consumption of fixed capital	35
(v)	Household final consumption expenditure	470
(vi)	Inventory Investment	(-)40
(vii)	Imports	60
(viii)	Net Indirect taxes	50
(ix)	Net factor income from abroad	20

OR

- (B) (i) Elaborate the concept of Externalities with the help of suitable example.** 2)
(ii) Define compensation of employees with example. 1)

22. On the basis of the given data, estimate the value of Net Value Added at Factor Cost (NVA at FC): 3)

S.No.	Items	Amount (in ₹ Crores)
(i)	Sales	1000
(ii)	Change in stock	150
(iii)	Purchase of raw material	300
(iv)	Gross investment	100
(v)	Net investment	80
(vi)	Net indirect taxes	20

23. (a) “Reserve Ratio and Credit creation are inversely related.” Do you agree with the given statement? Justify your answer with a suitable numerical example. 3)

OR

(b) “With an objective to reduce inflation, Reserve bank of India may promote the commercial banks to park their surplus funds with it.” Discuss the rationale behind the step taken by the Reserve Bank of India.

24. “The Reserve Bank of India (RBI) performs the same function for the government as the commercial banks perform for the general public.” 3)

Discuss briefly any two such functions performed by the Central Bank for the Government of India.

25. Outline the steps involved in the measurement of national income according to expenditure method. 4)

OR

Explain the concept of Double Counting in the context of calculating National Income and provide a practical way to avoid it.

26. How will the following be treated in the estimation of National income. Give reason. 4)

i) Gift received from employer.

ii) Profits earned by a branch of foreign bank in India.

iii) Payment of fees to a lawyer engaged by a firm.

iv) Dividend received by an Indian firm from his investment in shares of a foreign company.

27. “Devaluation of currency and depreciation of currency have the same implications, but they originate from divergent sources.” 4)

OR

Outline the meaning and reasons behind narrowing down of Current Account Deficit.

28. (I) ‘Foreign Portfolio Investment (FPI) witnessed a sharp turn around during 2023-24 with net FPI inflows of US\$ 32.4 billion.’ 3)

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’. 1)

29. (A) “Saving curve can be derived from the consumption curve” Justify the statement, citing valid steps with the help of a well-labelled diagram. 4)

OR

(B) For two hypothetical economies A and B, the value of Marginal Propensity to Consume (MPC) stands at 0.6 and 0.8 respectively. Assuming for both the economies, Autonomous Consumption (\bar{C}) to be ₹ 40 crore and Investment Expenditure (I) to be ₹ 100 crore. Calculate:

(I) Break-even level of income for Economy A

(II) Equilibrium level of income for Economy B

30. Read the following text carefully: 4)

“Union Finance Minister stated, that investments in infrastructure and productive capacity have a large multiplier impact on growth and employment and in view of this, capital investment outlay is being proposed to increase steeply in the Budget 2023-24 by 1,000 crore.”

Based on the given text and common understanding, explain the working process of the increase in investment on the National Income, assuming the Marginal Propensity to Save (MPS) as 20%.

31. (A) Complete the following table. Construct /Express the Consumption function at ₹200 crore level of income. 4)

Income(Y) (In ₹Crore)	Saving (in ₹Crore)	Average propensity to consume (APC)	Marginal Propensity to save (MPS)
0	(-) 30	-	-
100	-----	1	-----
200	-----	0.85	-----
300	-----	0.8	-----

- (B) Discuss the significance of 45° degree line in Keynesian economics. 2)

32. (A) Define inflationary gap with a well labelled diagram. Suggest any one monetary and fiscal measure to rectify this situation. 4)

- (B) If MPC is 80% and is constant at all levels of income, and the autonomous consumption is Rs.400 crores. Construct consumption function of the given hypothetical economy. 2)

OR

- (A) “When ex-ante Aggregate Demand (AD) falls short of ex-ante Aggregate Supply (AS) it results in fall in unintended inventories.” 3)
Defend or refute the given statement, giving valid arguments.

- (B) Explain national income determination through Saving-Investment approach. Use diagram. 3)

33. Classify the following as Revenue receipts or Capital receipts. Give valid arguments in support of your answer:

- (i) Interest received on loan. 2)
(ii) Disinvestment receipts from the sale of a government company. 2)
(iii) Financial assistance by the Government of USA for promoting girl education in India. 2)

34. (A)

- (i) Distinguish between direct tax and indirect tax with the help of suitable examples. 3)
(ii) Explain the redistribution of income objective of the Government Budget. 3)

OR

- (B) (i) Suppose the following data is presented for an imaginary economy: 4)

S.No.	Items	Amount (in ₹ crore)
(i)	Tax Receipts	1200
(ii)	Revenue Expenditure	3700
(iii)	Non-Tax Receipts	2000
(iv)	Recovery of loans	145
(v)	Capital expenditure	500
(vi)	Disinvestment	120
(vii)	Interest Payments	1070

Calculate Revenue Deficit and Fiscal Deficit.

- (ii) Explain how Fiscal deficit always leads to inflation. 2)

