Roll No. ☐☐☐☐☐☐☐☐

Q.P. Code 58/1/1

ECONOMICS

CBSE Class XII Board Examination 2026

Time allowed: 3 hours **Maximum Marks: 80**

General Instructions:

1. The paper has 34 questions in two sections; all questions are compulsory.
2. Section A is Macro Economics and Section B is Indian Economic Development.
3. There are 20 multiple choice questions of 1 mark each.
4. There are 4 short answer (Type I) questions of 3 marks each (60–80 words) and 6 short answer (Type II) questions of 4 marks each (80–100 words).
5. There are 4 long answer questions of 6 marks each (100–150 words).
6. Answer all parts of a question together. There is no overall choice, but some questions have an internal choice; attempt only one of the choices.

SECTION A

Macro Economics. Q1–10 carry 1 mark each; Q11–12 carry 3 marks each; Q13–15 carry 4 marks each; Q16–17 carry 6 marks each.

1. In a simple two-sector economy, factor payments (rent, wages, interest, profit) flow from _____ to _____. **1**

(A) firms, households
(B) firms, government
(C) banks, households
(D) households, firms

2. Assertion (A): Money is perishable in nature and is generally accepted by everyone at any point of time. **1**
Reason (R): As a store of value, money lets people carry purchasing power from the present into the future.

(A) Both A and R are true, and R correctly explains A.
(B) Both A and R are true, but R does not correctly explain A.
(C) A is true, but R is false.
(D) A is false, but R is true.

3. Consider the two statements: **1**
Statement 1: Depreciation of a currency is an action taken by the government of a country under the fixed exchange rate system.
Statement 2: Under a floating exchange rate system, the authorities actively intervene in the foreign exchange market by keeping foreign exchange reserves.
Choose the correct option.

(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. When _____ falls short of the level needed to buy the output produced at full employment, the shortfall is called a deflationary gap. Choose the correct option to fill the blank. **1**

(A) ex-ante Aggregate Demand
(B) ex-post Aggregate Demand
(C) ex-ante Aggregate Supply
(D) ex-post Aggregate Supply

5. Leaving out which of the following may make the estimated GDP of an economy lower than its true value? **1**

(i) Barter transactions

(ii) Services provided by family members

(iii) Illegal activities

(iv) Depreciation of assets

(A) (i) and (ii) **(B)** (ii) and (iii)

(C) (iii) and (iv) **(D)** (i), (ii) and (iii)

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6. Which of the following holds at the break-even level of income? **1**

(A) Slope of consumption curve = Slope of saving curve

(B) Average Propensity to Consume (APC) = Average Propensity to Save (APS)

(C) Slope of saving curve = Unity (1)

(D) Average Propensity to Consume (APC) = Unity (1)

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7. Consider the two statements: **1**

Statement 1: Final goods are goods that usually lose their identity in the production process.

Statement 2: A final good may be transformed during consumption by the consumer.

Choose the correct option.

(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.

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8. Assertion (A): Unilateral transfers are entered in the Current Account of a nation's Balance of Payments (BoP). **1**

Reason (R): The Capital Account records transactions that change the assets or liabilities of the country.

(A) Both A and R are true, and R correctly explains A.

(B) Both A and R are true, but R does not correctly explain A.

(C) A is true, but R is false.

(D) A is false, but R is true.

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9. In India's banking system, the Statutory Liquidity Ratio (SLR) helps control the credit-creating capacity of commercial banks because it _____. **1**

(A) makes banks convert all their deposits into liquid assets

(B) requires banks to keep a certain percentage of their deposits as liquid assets

(C) fixes the maximum interest rate banks may charge on loans

(D) stops banks from lending beyond a fixed share of their total reserves

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10. In an economy, currency held by the public = ₹1,42,000 crore, net demand deposits with commercial banks = ₹22,000 crore and net time deposits with commercial banks = ₹86,000 crore. Money supply M1 = ₹ _____ crore. **1**

(A) 2,50,000 **(B)** 86,000

(C) 1,64,000 **(D)** 1,42,000

11. Two classmates, Meera and Shahid, are comparing India's growth over the years. Meera looks at the rise in GDP measured at current market prices, while Shahid wants GDP adjusted for inflation. They cannot agree on which one better reflects people's well-being. **3**

Which of the two measures is the better indicator of welfare, and why? Give a valid reason.

OR

Ravi says the money received from selling an old car should be counted in India's national income; Harry disagrees. They also disagree about the brokerage paid to the car dealer on this sale.

As their Economics teacher, state the correct treatment of both items with reasons.

12. Under Sections 20 and 21 of the RBI Act, 1934, the Reserve Bank of India is required to carry out the banking business of the Government of India. **3**

Explain this function of the RBI.

13. A hypothetical economy has only two firms, X and Y, whose Gross Value Added (GVA) is equal. Using the data below, find the domestic sales of firm X and of firm Y. **4**

S. No.	Item	₹ crore
(i)	Value of output of firm Y	700
(ii)	Purchases by firm X from firm Y	200
(iii)	Exports by firm X	100
(iv)	Purchases by firm Y from firm X	150
(v)	Addition to stock of firm X	50

OR

Ms. Reeta D'Costa retired as an Income Tax Commissioner in 2023. Besides her pension she gets: rent from a flat she owns, interest on her fixed deposits, and money sent by her children who live abroad.

Classify her incomes into 'factor income' and 'transfer income', giving reasons.

14. Michel, a businessman of Country Zeta, borrows $5 million from a foreign bank to expand his textile business. In the same year, the Government of Zeta takes a $30 billion loan from an international financial institution to deal with its Balance of Payments situation. A student, Samuel, calls both of these 'autonomous transactions'. **4**

Do you agree? Justify with reasons.

15. An image shows a balance (weighing scale): on one side, arrows pointing up are labelled 'General Price Level'; on the other side, arrows pointing down are labelled 'Value of Money'. (A rising price level with falling value of money.) Identify the macroeconomic problem shown and explain any two measures the Central Bank can take to control it. **4**

16. The income of an economy rises from ₹20,000 crore to ₹50,000 crore, and its savings rise from ₹2,000 crore to ₹10,000 crore. **6**

(i) Calculate APC and APS before and after the rise in income. (4)

(ii) What do you conclude about the behaviour of APC as income increases? (2)

OR

A study of spending habits in a hypothetical economy found that even households with zero income still consumed basic necessities. As incomes rose, consumption also rose, but by less than the rise in income.

(i) Identify and explain the type of consumption described in the first observation. (3)

(ii) Explain why the Aggregate Demand curve slopes upward. (3)

17. According to the Economic Survey 2024-25, the budget projects that in 2025-26 gross direct tax revenue (income tax, corporate tax) will grow by 12.7% and gross indirect tax collections (GST, customs and other transaction-based levies) by 8.3% over 2024-25. Faster direct-tax growth is expected from better compliance and reforms; indirect taxes are expected to gain from consumption trends and better GST administration. The overall aim is to raise resources while supporting fiscal consolidation and sustainable growth. **6**

(i) Distinguish between the two types of taxes mentioned, with suitable examples. (4)

(ii) Explain the likely consequences of these tax projections. (2)

SECTION B

Indian Economic Development. Q18–27 carry 1 mark each; Q28–29 carry 3 marks each; Q30–32 carry 4 marks each; Q33–34 carry 6 marks each.

18. Consider the two statements: **1**

Statement 1: Under British rule, India's export surplus was used to pay for imports of invisible items from Britain.

Statement 2: Indians bore the expenses of an office set up in Britain by the colonial government.

Choose the correct option.

(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.

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19. Assertion (A): Education helps people absorb knowledge and skills; it also builds inventive ability and the capacity to adopt advanced technology. **1**

Reason (R): Education plays a key role in changing the way people think and acts as a catalyst for a nation's economic progress.

(A) Both A and R are true, and R correctly explains A.

(B) Both A and R are true, but R does not correctly explain A.

(C) A is true, but R is false.

(D) A is false, but R is true.

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20. In recent years the Government of India has taken several steps to increase public participation in the capital market, in both primary and secondary stock markets. These reforms belong to which sector? **1**

(A) Industrial **(B)** Financial

(C) Taxation **(D)** Foreign Trade

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21. The Montreal Protocol, signed in 1987, commits countries to _____. **1**

(A) protect biodiversity from further losses

(B) reduce the impact of global warming

(C) protect the ozone layer from depletion caused by chlorofluorocarbons

(D) reduce the impact of deforestation

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22. Assertion (A): Rural development covers a much wider range of activities than just agricultural progress. **1**

Reason (R): Government intervention in agriculture remains essential because agriculture is the main source of livelihood for the rural population.

(A) Both A and R are true, and R correctly explains A.

(B) Both A and R are true, but R does not correctly explain A.

(C) A is true, but R is false.

(D) A is false, but R is true.

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23. Which of the following points to a highly relevant concern in the changing employment trends of India's labour market? **1**

(A) Steady rise in the share of regular salaried employees

(B) Rise in the proportion of casually employed workers

(C) Growth of self-employment opportunities in all regions

(D) Big increase in job opportunities in the formal sector

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24. Match Column I with Column II: **1**

Column I: (i) Seasonal unemployment (ii) Self-employed (iii) Unorganised sector (iv) Disguised unemployment

Column II: (a) Private enterprises hiring fewer than 10 workers (b) Workers using their own resources to earn a living (c) Unemployment occurring during a particular season (d) Zero marginal productivity

(A) (i)-(d); (ii)-(a); (iii)-(b); (iv)-(c)

(B) (i)-(b); (ii)-(a); (iii)-(c); (iv)-(d)

(C) (i)-(c); (ii)-(b); (iii)-(a); (iv)-(d)

(D) (i)-(c); (ii)-(d); (iii)-(a); (iv)-(b)

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25. The definition 'Sustainable development is development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs' was given by _____. **1**

(A) United Nations Conference on Environment and Development

(B) United Nations Committee on Environment and Development

(C) United Nations Committee on Protection of Environment

(D) United Nations Conference on Protection of Environment

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26. Assertion (A): The Government of India used regulation of markets as a measure to improve the marketing conditions of agricultural produce. **1**

Reason (R): Market regulation brought transparent pricing and fair trade practices, and protected farmers from exploitation in agricultural marketing.

(A) Both A and R are true, and R correctly explains A.

(B) Both A and R are true, but R does not correctly explain A.

(C) A is true, but R is false.

(D) A is false, but R is true.

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27. Put these events in China's economic history in chronological order: **1**

I. Great Proletarian Cultural Revolution

II. Great Leap Forward

III. Introduction of economic reforms

IV. Launch of the First Five Year Plan

(A) II, IV, III, I **(B)** IV, II, I, III

(C) II, IV, I, III **(D)** IV, I, II, III

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28. "A job in the formal sector ensures better income and social security benefits than a job in the informal sector." **3**

Defend or refute this statement with a valid reason and an example.

OR

In the 'Mann ki Baat' broadcast of 29 June 2025, the Prime Minister said that the WHO has declared India free of trachoma (an eye disease), crediting sustained efforts in health care, sanitation, awareness and access to medical care.

Explain, with valid arguments, how investment in health care contributes to a nation's development.

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29. "From the late 1970s, China's population growth rate fell sharply compared with India's." **3**

Explain the reason for this and its effects.

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30. State and explain any two changes seen in India's occupational structure during British rule. **4**

OR

"The British used their infrastructure development policies in India to serve their own interests."

Do you agree? Justify your answer.

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31. India and Pakistan inherited similar colonial economic structures at independence and adopted several similar planning strategies. **4**

Explain any two such similarities in their development paths.

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32. (A) State the meaning of 'disguised unemployment'. (1) **4**

(B) A bar chart shows the sector-wise percentage of male and female workers (approx.): Manufacturing – male 77, female 22; Construction – male 83, female 16; Trade – male 76, female 23; Transport – male 86, female 13; Education – male 55, female 44; Health – male 48, female 50; Accommodation & Restaurant – male 76, female 23; IT/BPOs – male 62, female 37; Financial services – male 62, female 37.

Analyse the gender-wise sectoral distribution of workers shown. (3)

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33. **6**

(A) (i) Mr. Ravi, an IT entrepreneur in Bengaluru, notes that many MNCs choose India as their outsourcing hub for software development, customer support and data management. His friend Priya thinks this is due to some inherent advantages of the Indian economy. State and explain any two factors that make India a preferred outsourcing destination.

(A) (ii) "After independence, India followed a protective tariff policy." Do you agree? Justify with any two valid arguments.

OR

(B) (i) "Strategic sale of a public sector undertaking and minority sale of its shares are both methods of disinvestment." Defend or refute this with a valid argument. (3)

(ii) Briefly explain how bilateral trade agreements differ from multilateral trade agreements. (3)

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34. To make education inclusive and of good quality, the government has launched several schemes. The Right to Education (RTE) Act, passed by Parliament on 4 August 2009, guarantees free and compulsory education to every child aged 6-14 in a neighbourhood school until elementary education is complete. Sarva Shiksha Abhiyan (2001) is a flagship programme for universal elementary education, and the Digital India campaign (1 July 2015) improves internet connectivity, especially in rural areas, supporting digital learning. **6**

(i) Which law guarantees free and compulsory education up to 14 years of age? How does it improve access to education? (1+2)

(ii) In your opinion, how has higher public spending on education contributed to India's social and economic transformation? Give valid arguments. (3)

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Questions restated from the CBSE Class XII Board Examination 2026 (set 58/1/1) for practice. Reading passages and map items are described, not reproduced.