DIRECTORATE OF EDUCATION, GNCT OF DELHI

MID TERM, PRACTICE PAPER

CLASS XII - ECONOMICS (030)

SESSION - (2026–27)

TIME: 3 HOURS **Max Marks – 80**

GENERAL INSTRUCTIONS: -

1. There are two sections in this question paper
   Section A: Introductory Macroeconomics (40 Marks)
   Section B: Indian Economic Development (40 Marks)
2. Marks of questions are given against each question.
3. This question paper also contains case/source based questions.
4. Question No. 1-10 and Question No. 18-27 are objective type questions carrying 1 mark each.
5. Question No. 11-12 and Question No. 28-29 are very s short answer type questions carrying 3 marks each and to be answered in 60 to 80 words.
6. Question No. 13-15 and Question No. 30 to 32 are short answer type questions carrying 4 marks each and to be answered in 80 to 100 words.
7. Question No. 16-17 and Question No. 33-34 are long answer type questions carrying 6 marks each and to be answered in 100 to 150 words.

Q. No. **SECTION A** **Marks**

INTRODUCTORY MACRO ECONOMICS

1 Identify the correct statement(s) regarding a stock variable from the following: 1

(i) It is measured at a particular point of time.
(ii) It is measured over a period of time.
(iii) Money supply is an example of a stock variable.
(iv) National income is a stock variable.

(Choose the correct alternative)

Alternatives:

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

2 Which of the following is **NOT** a function of a central bank? 1

(Choose the correct alternative)

Alternatives:

(A) Issuing currency
(B) Accepting deposits
(C) Conducting monetary policy
(D) Managing foreign exchange reserves

3 Which of the following identities is **incorrect**? 1

(Choose the correct alternative)

Alternatives:

(A) $NDP_{FC} = GDP_{MP}$ − Depreciation − Net Indirect Taxes
(B) $NNP_{FC} = GNP_{MP}$ − Depreciation − Net Indirect Taxes
(C) $GDP_{MP} = NDP_{FC}$ + Depreciation + Net Indirect Taxes
(D) $NNP_{FC} = GDP_{FC}$ + Depreciation + Net Indirect Taxes

4 **Read the following statements carefully:** 1

Statement 1: Real GDP is measured at constant prices.
Statement 2: Nominal GDP can rise merely because the general price level has increased.
(Choose the correct alternative)

Alternatives:

(A) Statement 1 is true and Statement 2 is false.
(B) Statement 1 is false and Statement 2 is true.
(C) Both statements are true.
(D) Both statements are false.

5 Read the following statements: Assertion (A) and Reason (R) and choose the correct alternative. 1

Assertion (A): Money acts as a standard of deferred payments.
Reason (R): Future payments can be expressed in terms of money.

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.

6 Which of the following is an example of a transfer income? 1
(Choose the correct alternative)

Alternatives:

(A) Salary received by a teacher
(B) Pension received by a retired person
(C) Rent received by a landlord
(D) Interest received on public debt

7 When the central bank sells government securities in the open market, it generally: 1
(Choose the correct alternative)

Alternatives:

(A) Increases liquidity
(B) Decreases liquidity
(C) Has no effect on money supply
(D) Increases currency held by commercial banks

8 From the following, choose the correctly matched pair: 1

(Choose the correct alternative)

Alternatives:

(A) Compensation of employees — Rent
(B) Operating surplus — Wages
(C) Mixed income — Income of self-employed persons
(D) Dividend — Transfer Income

9 Public goods are generally characterized by: 1

(Choose the correct alternative)

Alternatives:

(A) Rivalry and excludability
(B) Non-rivalry and non-excludability
(C) Rivalry only
(D) Excludability only

10 A budget in which government expenditure is greater than government receipts is called: 1

(Choose the correct alternative)

Alternatives:

(A) Balanced budget
(B) Surplus budget
(C) Deficit budget
(D) Neutral budget

11 Explain any two precautions that should be taken while estimating National Income by the Income Method. 3

12 "The government may reduce taxes on essential goods while imposing higher taxes on demerit goods." Identify the relevant objective of government budget and explain it. 3

OR

Differentiate between direct tax and indirect tax on any three valid bases. 3

13 **(A) Read the following text carefully**

"In a small village, Rohan wants to exchange 50kg of wheat for a pair of shoes. He finds a shoemaker, but the shoemaker needs a table, not wheat. Rohan spends days searching for someone who has shoes and wants wheat, highlighting the difficulty of trade without a common medium. Eventually, the village introduces 'tokens' that everyone accepts, allowing Rohan to sell his wheat and buy shoes easily."

Answer the following questions:

(i) Identify problem highlighted in this scenario. How does introduction of tokens help solving it? 3

(ii) State two other benefits of introducing these tokens in the village. 1

OR

(B) Elaborate the 'Government's Bank and Advisor' function of the Central Bank of a nation. 4

14 In a hypothetical economy, nominal GDP in 2025-26 is ₹12,000 crore and the GDP deflator is 150 (base year = 100). Calculate Real GDP. 4

15 **Read the following information carefully:**

"The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI), recently increased the Repo Rate by 50 basis points. The Rate stands today at 5.40%, whereas Reverse Repo Rate was left unchanged at 3.35%."

Answer the following questions:

(i) Identify the nature of the two monetary policy measures mentioned in the above text and differentiate between them. 2

(ii) Elaborate the likely economic rationale behind the increase in Repo Rate by the Monetary Policy Committee. 2

16 **(A) Consider the following transactions in an economy:** 6

(i) Firm A sells intermediate goods worth ₹30,000 to Firm B.
(ii) Firm B sells final goods worth ₹50,000 to households.
(iii) Firm A sells final goods worth ₹20,000 to households.

Calculate GDP at Market Price and give a reason for excluding intermediate sales.

OR

(B) From the following data, calculate NNP at market price (NNP_{MP}): 6

S.NO.	**ITEMS**	**VALUE (in ₹ crore)**
i)	Compensation of employees	500
ii)	Operating surplus	250
iii)	Mixed income	150
iv)	Net factor income from abroad	20
v)	Net indirect taxes	60
vi)	Depreciation	40

17 **Read the following text carefully and answer the questions that follow**:

During the presentation of the Annual Financial Statement, the Finance Minister announced a comprehensive economic package aimed at boosting long-term domestic infrastructure while addressing immediate welfare needs.

The budget statement highlighted the following key financial provisions for the upcoming fiscal year:

1. **Provision A:** Allocation of ₹85,000 crore toward the construction of national expressways, freight corridors, and high-speed railway networks.
2. **Provision B:** Allocation of ₹45,000 crore to extend food security subsidies and healthcare assistance for low-income households.
3. **Provision C:** Recovery of past loans provided to state governments amounting to ₹12,000 crore, along with ₹25,000 crore raised through the disinvestment of government equity in select public sector enterprises (PSEs).
4. **Provision D:** An estimated expenditure of ₹60,000 crore toward interest payments on past borrowings.

The Opposition criticized Provision D, stating that it creates a structural burden on the economy without generating productive assets or reducing liability. Meanwhile, economic analysts pointed out that while the government aims to keep the **Fiscal Deficit** under control, the high volume of interest payments severely impacts the **Primary Deficit**.

Questions:

(a) Categorize **Provision A** and **Provision B** into Capital Expenditure and Revenue Expenditure. Justify your categorization. 2

(b) Identify whether the funds raised under **Provision C** fall under Revenue Receipts or Capital Receipts. Critically evaluate how disinvestment as a source of government revenue impacts the assets of the government. 2

(c) Explain the economic relationship between **Fiscal Deficit** and **Primary Deficit** in the context of **Provision D**. What does a large primary deficit signify regarding the government's current financial health? 2

SECTION – B

INDIAN ECONOMIC DEVELOPMENT

18 **Read the following statements carefully:** 1

Statement 1: The colonial government developed infrastructure in India to serve its own administrative and commercial interests.

Statement 2: Colonial infrastructure development was undertaken primarily to maximise the welfare of the Indian population.

(Choose the correct alternative)

Alternatives:

(A) Statement 1 is true and Statement 2 is false.
(B) Statement 1 is false and Statement 2 is true.
(C) Both statements are true.
(D) Both statements are false.

19 Which of the following is ***not*** a feature of the Industrial Policy Resolution 1956? 1

(Choose the correct alternative)

Alternatives:

(A) Introduction of industrial licensing
(B) Greater restrictions on foreign investment
(C) Liberalisation of trade and industry
(D) More emphasis on the public sector

20 **Read the following statements carefully:** 1

Statement I: Land reforms in India primarily aimed to protect the interests of intermediaries like Zamindars to ensure higher tax collection.

Statement II: The primary objective of land ceiling was to reduce the concentration of land ownership in a few hands.

(Choose the correct alternative)

Alternatives:

(A) Statement I is true but Statement II is false.
(B) Statement I is false but Statement II is true.
(C) Both Statement I and Statement II are true.
(D) Both Statement I and Statement II are false.

21 Which institution is associated with providing refinance facilities for rural credit? 1

(Choose the correct alternative)

Alternatives:

(A) NABARD
(B) SEBI
(C) SIDBI
(D) EXIM Bank

22 Identify the ***incorrect*** statement with reference to the objectives of regulated agricultural markets: 1

(i) Protecting farmers from exploitation
(ii) Improving transparency in transactions
(iii) Discouraging market infrastructure
(iv) Ensuring fair practices in agricultural marketing

(Choose the correct alternative)

Alternatives:

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

23 During the colonial period, India's foreign trade was characterised by all of the following except: 1

(Choose the correct alternative)

Alternatives:

(A) British control over trade policies
(B) Export of primary products
(C) Import of manufactured goods
(D) Generation of a large trade deficit

24 Which of the following best reflects the objective of modernisation in Indian economic planning? 1

(Choose the correct alternative)

Alternatives:

(A) Adoption of new technology, such as HYV seeds in agriculture.
(B) Reducing the income gap between the rich and the poor.
(C) Transitioning toward a progressive social outlook, like gender based discrimination.
(D) Focus on labour-intensive techniques to reduce unemployment.

25 Organic farming is associated with: 1

(Choose the correct alternative)

Alternatives:

(A) Greater dependence on synthetic chemical inputs.
(B) Maintaining ecological balance through natural inputs and practices.
(C) Complete elimination of crop diversification.
(D) Exclusive use of genetically modified seeds.

26 Which of the following is a source of human capital formation? 1

(Choose the correct alternative)

Alternatives:

(A) Expenditure on education and health
(B) Expenditure only on luxury consumption
(C) Hoarding of financial wealth
(D) Reduction in skill development

27 Read the following statements: Assertion (A) and Reason (R) and choose the correct option. 1

Assertion (A): Agricultural diversification into non-farm activities and allied sectors is essential for providing sustainable livelihoods to rural people.
Reason (R): Farming activities in rural areas are largely concentrated in the Kharif season, making it difficult to find gainful employment during the Rabi season in areas with inadequate irrigation facilities.

(Choose the correct alternative)

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.

28 **(A)** Explain any three reasons for regulating the private sector under the Industrial Policy Resolution, 1956. 3

OR

(B) Explain any three important features of the industrial strategy followed in India during 1950–1990.

29 "Female participation in the workforce has historically been lower than males in India." Discuss any three factors that can contribute to this situation. 3

30 (A)

(i) "A high rate of economic growth does not automatically ensure a proportionate increase in employment." Defend or refute the statement with valid arguments. 3
(ii) Define casual wage labourer. 1

OR

(B)

Read the following case carefully and answer the questions that follow:

In a developing economy, a large number of people are engaged in agriculture and other informal activities. Sometimes, more workers are employed on a farm than are actually required for the level of output being produced. If a few workers are withdrawn, the total production may remain unchanged. This situation is different from open unemployment, where a person is willing and able to work but does not get a job. The government often undertakes employment-generating programmes to provide work opportunities and improve the livelihood of people.

Answer the following questions:

(a) Identify the type of unemployment described in the case. 1

(b) What is meant by open unemployment? 1

(c) State and explain any two programmes that have been implemented by the government to generate employment opportunities in the economy. 2

31 **Read the following passage carefully and answer the questions that follow.**

During the British colonial regime, the economic policies pursued by the government were primarily focused on the protection and promotion of the economic interests of their home country rather than developing the Indian economy. India was transformed into a supplier of raw materials and a market for British finished industrial goods. Throughout this period, India's foreign trade generated a large export surplus. However, this surplus came at a severe cost to the domestic economy. Essential commodities like food grains, clothes, and kerosene were scarcely available in the domestic market. Furthermore, this surplus did not lead to any flow of gold or silver into the country; instead, it was utilized to cover administrative expenses of the colonial office in Britain, military expenditure, and payments for invisible items.

Questions:

i) What primary role did the British colonial policies assign to the Indian economy in international trade? 1

ii) Define the concept described in the text where India's export surplus was utilized for British colonial expenses rather than domestic economic development. 1

iii) Briefly explain two main consequences of the restrictive trade and tariff policies enforced by the colonial government on India's foreign trade structure. 2

32 State with valid reasons whether the following statements are **True** or **False**:

(i) Under organic farming, crop yields in the initial years are higher than those under modern agricultural farming. 2

(ii) In India, fish production from inland sources contributes a larger share to the total value of fish production than the marine sector. 2

33 **(A)**

(i) "Information and communication technology can help India move towards a knowledge-based economy." Justify the statement. 3

(ii) Explain the role of affordable healthcare in human capital formation. 3

OR

(B)

(i) Explain the relationship between human capital formation and economic growth. 3

(ii) Meera attends agricultural training and learns modern methods of irrigation and crop management, while Ravi purchases a tractor but does not acquire any new skills. Who has clearly invested in human capital? Give reasons. 3

34 **Read the following text carefully:**

India's 1991 economic reforms marked a shift towards a more market-oriented and outward-looking economy. The reform process included changes in industrial licensing, trade policy and the role of the private sector. The objective was to improve efficiency, competitiveness and integration with the world economy.

Answer the following:

(i) Explain any three major measures associated with liberalisation, privatisation and globalisation introduced from 1991 onwards. 3

(ii) Explain any three expected benefits of trade liberalisation for the Indian economy. 3