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CLASS 12

Economics

Sample Paper 3 - Questions

34 questions | 80 marks | 2026-27

Time: 3 hours. Answer all questions and subparts unless a choice is stated. Marks are shown on the right. Write answers on separate sheets. Independently prepared practice paper.

Section A - Objective questions

1. Identify the term described by this statement: The ratio of additional consumption to additional income is a marginal behavioural measure. **1**

(A) Value added
(B) Marginal propensity to consume
(C) Currency depreciation
(D) Green Revolution

2. Which statement correctly describes Green Revolution? **1**

(A) Education, health and skills contribute to people's productive capabilities.
(B) Economic progress is considered together with environmental limits and intergenerational concerns.
(C) Expenditure normally neither creates a government asset nor reduces its liabilities in the budget classification.
(D) High-yielding varieties and associated inputs changed agricultural production in participating regions.

3. Which statement correctly describes Investment multiplier? **1**

(A) Rural livelihoods expand into additional crops or non-farm activities.
(B) Economic progress is considered together with environmental limits and intergenerational concerns.
(C) Domestic production replaces selected imports under a development strategy.
(D) An initial autonomous spending change leads to a larger equilibrium income change in the simple model.

4. Which statement correctly describes Sustainable development? **1**

(A) Aggregate demand is insufficient to sustain the full-employment level of output in the relevant model.

(B) Economic progress is considered together with environmental limits and intergenerational concerns.

(C) Education, health and skills contribute to people's productive capabilities.

(D) A currency loses value relative to another under market-driven exchange-rate changes.

5. Identify the term described by this statement: In a simple model, the reserve ratio helps determine the potential expansion of deposits. **1**

(A) Currency depreciation

(B) Depreciation

(C) Repo rate

(D) Money multiplier

6. Identify the term described by this statement: Education, health and skills contribute to people's productive capabilities. **1**

(A) Value added

(B) Human capital

(C) Deficient demand

(D) Revenue expenditure

7. Which statement correctly describes Net factor income from abroad? **1**

(A) Rural livelihoods expand into additional crops or non-farm activities.

(B) In a simple model, the reserve ratio helps determine the potential expansion of deposits.

(C) The central bank lends short-term funds to eligible banks against securities under a repurchase arrangement.

(D) Factor income received from abroad minus that paid abroad connects domestic and national measures.

8. Identify the term described by this statement: The central bank lends short-term funds to eligible banks against securities under a repurchase arrangement. 1

(A) Repo rate
(B) Final good
(C) Human capital
(D) Current account

9. Which statement correctly describes Deficient demand? 1

(A) Aggregate demand is insufficient to sustain the full-employment level of output in the relevant model.
(B) Rural livelihoods expand into additional crops or non-farm activities.
(C) A good is purchased for final use rather than further production or resale in the relevant accounting context.
(D) The central bank lends short-term funds to eligible banks against securities under a repurchase arrangement.

10. Which statement correctly describes Depreciation? 1

(A) Transactions in goods, services, primary income and transfers are recorded in this part of the balance of payments.
(B) Rural livelihoods expand into additional crops or non-farm activities.
(C) Consumption of fixed capital distinguishes net from gross product measures.
(D) A greater share of employment lacks the security and protections associated with formal arrangements.

11. Which statement correctly describes Revenue expenditure? 1

(A) Education, health and skills contribute to people's productive capabilities.
(B) Total expenditure minus revenue receipts and non-debt capital receipts indicates the borrowing requirement in the budget definition.
(C) Expenditure normally neither creates a government asset nor reduces its liabilities in the budget classification.
(D) High-yielding varieties and associated inputs changed agricultural production in participating regions.

12. Which statement correctly describes Final good? **1**

(A) A good is purchased for final use rather than further production or resale in the relevant accounting context.

(B) The ratio of additional consumption to additional income is a marginal behavioural measure.

(C) A greater share of employment lacks the security and protections associated with formal arrangements.

(D) Rural livelihoods expand into additional crops or non-farm activities.

13. Which statement correctly describes Current account? **1**

(A) Transactions in goods, services, primary income and transfers are recorded in this part of the balance of payments.

(B) Domestic production replaces selected imports under a development strategy.

(C) Selected economic controls and restrictions are reduced or restructured.

(D) Rural livelihoods expand into additional crops or non-farm activities.

14. Identify the term described by this statement: Rural livelihoods expand into additional crops or non-farm activities. **1**

(A) Liberalisation

(B) Sustainable development

(C) Diversification

(D) Repo rate

15. Which statement correctly describes Currency depreciation? **1**

(A) Aggregate demand is insufficient to sustain the full-employment level of output in the relevant model.

(B) Economic progress is considered together with environmental limits and intergenerational concerns.

(C) Output value minus intermediate consumption avoids counting the same intermediate output repeatedly.

(D) A currency loses value relative to another under market-driven exchange-rate changes.

16. Identify the term described by this statement: Domestic production replaces selected imports under a development strategy. **1**

(A) Currency depreciation
(B) Import substitution
(C) Revenue expenditure
(D) Depreciation

17. Which statement correctly describes Fiscal deficit? **1**

(A) Economic progress is considered together with environmental limits and intergenerational concerns.
(B) Total expenditure minus revenue receipts and non-debt capital receipts indicates the borrowing requirement in the budget definition.
(C) The central bank lends short-term funds to eligible banks against securities under a repurchase arrangement.
(D) In a simple model, the reserve ratio helps determine the potential expansion of deposits.

18. Identify the term described by this statement: Output value minus intermediate consumption avoids counting the same intermediate output repeatedly. **1**

(A) Value added
(B) Import substitution
(C) Green Revolution
(D) Revenue expenditure

19. Which statement correctly describes Informalisation? **1**

(A) A greater share of employment lacks the security and protections associated with formal arrangements.
(B) High-yielding varieties and associated inputs changed agricultural production in participating regions.
(C) Transactions in goods, services, primary income and transfers are recorded in this part of the balance of payments.
(D) A good is purchased for final use rather than further production or resale in the relevant accounting context.

20. Identify the term described by this statement: Selected economic controls and restrictions are reduced or restructured. 1

(A) Liberalisation
(B) Investment multiplier
(C) Current account
(D) Depreciation

Section B - Short responses

21. MPC is 0.75. Under the simple model, calculate the equilibrium income increase from additional autonomous investment of Rs 240 crore. 3

22. Compare Sustainable development and Net factor income from abroad. Give the meaning and an appropriate application of each. 3

23. GDP at market price is 1000, depreciation 50, net factor income from abroad 20 and net indirect taxes 100, all in crore rupees. Calculate NNP at factor cost. 3

24. Compare Current account and Depreciation. Give the meaning and an appropriate application of each. 3

Section C - Short responses

25. GDP at market price is 1030, depreciation 50, net factor income from abroad 20 and net indirect taxes 100, all in crore rupees. Calculate NNP at factor cost. 4

26. Compare Repo rate and Money multiplier. Give the meaning and an appropriate application of each. 4

27. MPC is 0.75. Under the simple model, calculate the equilibrium income increase from additional autonomous investment of Rs 250 crore. 4

28. Explain how the following example illustrates Deficient demand: Firms cannot sell the output consistent with full use of available labour. **4**

29. GDP at market price is 980, depreciation 50, net factor income from abroad 20 and net indirect taxes 100, all in crore rupees. Calculate NNP at factor cost. **4**

30. Explain how the following example illustrates Green Revolution: Productivity gains depended on conditions including irrigation and access to inputs. **4**

Section D - Extended responses

31. (a) Explain Depreciation and analyse this application: Wear and obsolescence reduce the service value of productive assets during a period.
(b) Explain Currency depreciation and show how this second application fits it: More rupees are required to buy one unit of foreign currency. **6**

32. (a) Explain Money multiplier and analyse this application: A banking system maintains reserves and lends part of new deposits under simplifying assumptions.
(b) Explain Repo rate and show how this second application fits it: A policy-rate change influences the cost of such bank borrowing. **6**

33. (a) Explain Final good and analyse this application: A household buys bread for consumption.
(b) Explain Value added and show how this second application fits it: A producer subtracts the value of purchased intermediate inputs from the value of its output. **6**

34. (a) Explain Import substitution and analyse this application: A policy encourages local production of goods previously purchased abroad.
(b) Explain Green Revolution and show how this second application fits it: Productivity gains depended on conditions including irrigation and access to inputs. **6**

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