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CLASS 12

Economics

Sample Paper 5 - 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. Which concept is illustrated in this example? A reform changes licensing requirements that previously constrained enterprise decisions. **1**

(A) Money multiplier

(B) Value added

(C) Liberalisation

(D) Diversification

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

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

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

(C) An initial autonomous spending change leads to a larger equilibrium income change in the simple model.

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

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

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

(B) An initial autonomous spending change leads to a larger equilibrium income change in the simple model.

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

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

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

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

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

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

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

5. Which concept is illustrated in this example? A policy-rate change influences the cost of such bank borrowing. **1**

(A) Sustainable development

(B) Value added

(C) Repo rate

(D) Liberalisation

6. Which concept is illustrated in this example? Wear and obsolescence reduce the service value of productive assets during a period. **1**

(A) Repo rate

(B) Green Revolution

(C) Currency depreciation

(D) Depreciation

7. Which concept is illustrated in this example? Training improves a worker's relevant knowledge and capabilities. **1**

(A) Value added
(B) Depreciation
(C) Repo rate
(D) Human capital

8. Which concept is illustrated in this example? Firms cannot sell the output consistent with full use of available labour. **1**

(A) Marginal propensity to consume
(B) Deficient demand
(C) Import substitution
(D) Value added

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

(A) An initial autonomous spending change leads to a larger equilibrium income change in the simple model.
(B) The central bank lends short-term funds to eligible banks against securities under a repurchase arrangement.
(C) A greater share of employment lacks the security and protections associated with formal arrangements.
(D) Total expenditure minus revenue receipts and non-debt capital receipts indicates the borrowing requirement in the budget definition.

10. Which concept is illustrated in this example? Consumption rises by Rs 75 when income rises by Rs 100. **1**

(A) Liberalisation
(B) Repo rate
(C) Final good
(D) Marginal propensity to consume

11. Which concept is illustrated in this example? A household buys bread for consumption. **1**

(A) Liberalisation
(B) Final good
(C) Value added
(D) Informalisation

12. Which concept is illustrated in this example? A policy encourages local production of goods previously purchased abroad. 1

(A) Sustainable development
(B) Depreciation
(C) Revenue expenditure
(D) Import substitution

13. Which concept is illustrated in this example? A banking system maintains reserves and lends part of new deposits under simplifying assumptions. 1

(A) Sustainable development
(B) Money multiplier
(C) Net factor income from abroad
(D) Final good

14. Which statement correctly describes Currency depreciation? 1

(A) Factor income received from abroad minus that paid abroad connects domestic and national measures.
(B) A currency loses value relative to another under market-driven exchange-rate changes.
(C) A greater share of employment lacks the security and protections associated with formal arrangements.
(D) High-yielding varieties and associated inputs changed agricultural production in participating regions.

15. Which statement correctly describes Revenue expenditure? 1

(A) Expenditure normally neither creates a government asset nor reduces its liabilities in the budget classification.
(B) Rural livelihoods expand into additional crops or non-farm activities.
(C) Education, health and skills contribute to people's productive capabilities.
(D) A greater share of employment lacks the security and protections associated with formal arrangements.

16. Which concept is illustrated in this example? A producer subtracts the value of purchased intermediate inputs from the value of its output. 1

(A) Final good
(B) Current account
(C) Value added
(D) Marginal propensity to consume

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

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

(B) High-yielding varieties and associated inputs changed agricultural production in participating regions.

(C) An initial autonomous spending change leads to a larger equilibrium income change in the simple model.

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

18. Which concept is illustrated in this example? A farming household also earns income through processing or another local enterprise. **1**

(A) Diversification

(B) Net factor income from abroad

(C) Marginal propensity to consume

(D) Investment multiplier

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

(A) Total expenditure minus revenue receipts and non-debt capital receipts indicates the borrowing requirement in the budget definition.

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

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

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

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

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

(B) Expenditure normally neither creates a government asset nor reduces its liabilities in the budget classification.

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

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

Section B - Short responses

21. GDP at market price is 1210, depreciation 50, net factor income from abroad 20 and net indirect taxes 100, all in crore rupees. Calculate NNP at factor cost. **3**

22. Compare Informalisation and Deficient demand. Give the meaning and an appropriate application of each. **3**

23. MPC is 0.75. Under the simple model, calculate the equilibrium income increase from additional autonomous investment of Rs 370 crore. **3**

24. Compare Value added and Marginal propensity to consume. Give the meaning and an appropriate application of each. **3**

Section C - Short responses

25. GDP at market price is 1170, depreciation 50, net factor income from abroad 20 and net indirect taxes 100, all in crore rupees. Calculate NNP at factor cost. **4**

26. Use this situation to explain Fiscal deficit, connecting the definition to the details: A government finances part of its spending through borrowing. **4**

27. MPC is 0.75. Under the simple model, calculate the equilibrium income increase from additional autonomous investment of Rs 410 crore. **4**

28. Use this situation to explain Final good, connecting the definition to the details: A household buys bread for consumption. **4**

29. GDP at market price is 1180, depreciation 50, net factor income from abroad 20 and net indirect taxes 100, all in crore rupees. Calculate NNP at factor cost. **4**

30. Use this situation to explain Investment multiplier, connecting the definition to the details: An investment increase triggers further rounds of consumption expenditure. **4**

Section D - Extended responses

31. (a) Explain Marginal propensity to consume and analyse this application: Consumption rises by Rs 75 when income rises by Rs 100.
(b) Explain Net factor income from abroad and show how this second application fits it: Residents earn some factor income outside the domestic territory. **6**

32. (a) Explain Diversification and analyse this application: A farming household also earns income through processing or another local enterprise.
(b) Explain Marginal propensity to consume and show how this second application fits it: Consumption rises by Rs 75 when income rises by Rs 100. **6**

33. (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**

34. (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**

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