BRAIN INTERNATIONAL SCHOOL
Session 2025-26

PRACTICE PAPER 1
Class XII
Subject – Economics (030)

Instructions

1) *All Questions are compulsory.*
2) *Question Number 1 to 10 and 18to 27are very short answer questions carrying 1 mark each.*
3) *Question Number 11,12 and 28,29 are short answer questions carrying 3 marks each.*
4) *Question Number 13-15 and 30-32 are short answer questions carrying 4 marks each.*
5) *Question Number 16,17 and 33,34 are of 6 marks each.*

SECTION-A - Macro Economics

1. Read the following statements carefully:

Assertion (A): Open Market Operations refer to the purchase and sale of government securities by the central bank to control the money supply.

Reason (R): When the central bank buys government securities, it reduces the liquidity in the economy, thus decreasing the money supply.

Choose the correct option from those given below:
(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.

2. "An economy is facing a situation of excess demand, leading to inflationary pressures. The central bank decides to increase the Repo Rate to make borrowing more expensive, thereby reducing consumption and investment spending."

What is the central bank aiming to achieve by increasing the Repo Rate in this context?
(A) Decrease aggregate demand (B) Increase aggregate supply
(C) Promote economic growth (D) Reduce government deficit

3. Fiscal deficit is calculated as the difference between the total expenditure of the government and its total receipts excluding ________, reflecting the borrowing requirements.

Choose the correct option to fill in the blank.
(A) Taxes (B) Borrowings
(C) Grants (D) Loans

4. An exchange rate system where the value of the currency is determined entirely by market forces without any government intervention is called a ________ exchange rate.

Choose the correct option to fill in the blank.
(A) Fixed (B) Floating
(C) Managed (D) Pegged

5. From the given diagrams, identify the correct option that indicates the 'Indifference Curve' passing through the origin drawn at a particular angle.

(A) (iv) (B) (iii)

(C) (i) (D) (ii)

6. Statutory Liquidity Ratio (SLR) refers to the percentage of deposits that commercial banks are required to maintain in the form of ______.
Choose the correct option to fill in the blank.
(A) Cash with the RBI
(B) Gold and Government Securities
(C) Foreign Currency Reserves
(D) Corporate Bonds

7. Read the following statements carefully:

Statement 1: The Marginal Propensity to Save (MPS) is the additional amount of income that is saved from an additional unit of income, and it is equal to one minus the Marginal Propensity to Consume (MPC).
Statement 2: If the MPC is 0.75, then the value of the investment multiplier will be 4, showing the relationship between MPC, MPS, and the multiplier effect.
In light of the given statements, choose the correct option from the following:
(A) Both Statements 1 and 2 are true.
(B) Statement 1 is false and Statement 2 is true.
(C) Statement 1 is true and Statement 2 is false.
(D) Both Statements 1 and 2 are false.

8. The primary deficit is obtained by subtracting the interest payments on previous borrowings from the _______ deficit, indicating the government's borrowing requirements excluding interest obligations.

Choose the correct option to fill in the blank.

(A) Revenue (B) Capital

(C) Fiscal (D) Budgetary

9. Read the following statements carefully:

Statement 1: In the foreign exchange market, the exchange rate is determined by the interaction of demand and supply of foreign currency, where an increase in demand for foreign goods leads to a depreciation of the domestic currency.

Statement 2: A depreciation of the domestic currency makes exports more expensive and imports cheaper, potentially worsening the trade balance of the country.

In light of the given statements, choose the correct option from the following:

(A) Statement 1 is false and Statement 2 is true.

(B) Both Statements 1 and 2 are false.

(C) Statement 1 is true and Statement 2 is false.

(D) Both Statements 1 and 2 are true.

10. Observe the given figure carefully and choose the correct pair from the alternatives given below:

(A) Flow, Flow (B) Stock, Stock

(C) Flow, Stock (D) Stock, Flow

11. Find net value added at market price.

Contents `	**(in crore)**
Output sold (units)	800
Price per unit of output	20
Excise	1,600
Import duty	400
Net change in stock	(–) 500
Depreciation	1,000
Intermediate cost	8,000

12. Differentiate between current and capital account of BoP.

Giving reasons, explain whether the given statements are true or false.

(i) Improvement in exchange rate of the country's currency is always beneficial for Balance of Payment (BoP).

(ii) Rise in foreign exchange rate cause a rise in its supply.

13. Read the following text carefully :

Keynesian theory tell us that inflationary gap emerges only when full employment is reached. But, in India we often find high rate of inflation along with high rate of unemployment. How do you explain this paradox?

14. An economy is in equilibrium. Calculate the investment expenditure from the following. National

Income = ` 800

Marginal Propensity to Save = 0. 3

Autonomous Consumption = 100

15. “Credit creation is inversely related to the reserve deposit ratio”. Justify the given statement, using a hypothetical example. Explain the ‘standard of deferred payment’ function of money. How has it solved the related problem created by barter?

16. (i) Government incurs expenditure to popularise yoga among the masses. Analyse its impact on Gross Domestic Product and welfare of the people.

(ii) Explain the precautions that are taken while estimating national income by value added method.

17. (i) The graph given below highlights the situation of gross fiscal deficit in context of the Indian economy taken from RBI’s Bulletin on ‘Government Finances 2019-20: A half yearly review’. In context of the figure given below, give the meaning of fiscal deficit and explain any two ways to deal with such a problem.

(ii) Tax rates on higher income group have been increased. Which economic value does it reflect? Explain.

(i) Explain the role of government budget in fighting inflationary tendencies.

(ii) Explain why public goods should be provided by the government.

Section -B - Indian Economic Development

18. Observe the image given below and identify the type of economic structure

(A) Socialism (B) Capitalism

(C) Mixed economy (D) None of these

19. Read the following statements carefully:

Statement 1: The common goals of the Five Year Plans included poverty alleviation and equitable distribution of resources.

Statement 2: Foreign trade policies during 1950-1990 were aimed at complete isolation from the global economy.

In 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.

20. Read the following statements carefully: Assertion (A) and Reason (R). Choose the correct

option from those given below:

Assertion (A): The Goods and Services Tax (GST) was introduced to replace the direct tax structure in India.

Reason (R): GST unified multiple indirect taxes into a single tax system to simplify the tax structure.

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.

21. Future prospects of human capital formation in India are closely linked to improvements in ______ and ______, ensuring a skilled and healthy workforce for sustained economic growth.

Choose the correct option to fill up the blank.

(A) foreign trade; defense

(B) transportation; infrastructure

(C) natural resources; agriculture

(D) education; healthcare

22. What is the primary purpose of cooperative societies in rural India? Which of the following is/are correct ?

(i) Providing credit facilities

(ii) Marketing agricultural produce

(iii) Offering insurance services

(iv) Regulating prices

Option :

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

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

23. Unemployment in India can be attributed to which of the following factors? Which of the following is correct ?

(A) Rapid population growth and lack of skill development

(B) High levels of foreign investment

(C) Robust economic growth

(D) Effective education system

24. Which of the following are effects of economic development on the environment? Which of the following is correct ?

(A) Increased biodiversity

(B) Improved air quality

(C) Enhanced natural resource conservation

(D) Deforestation and pollution

25. When comparing human development indicators, India stands _________ compared to its neighboring countries like China and Pakistan. Which of the following is correct ?

(A) Ahead in all indicators (B) Behind in some and ahead in others

(C) Ahead in none (D) Uniformly ahead

26. "Under British colonial rule, India's foreign trade was structured to serve the interests of the British economy. The country became an exporter of primary goods like raw cotton and an importer of finished goods from Britain, leading to a drain of India's wealth and resources without corresponding benefits to the Indian economy."

Which term best describes this economic phenomenon experienced by India during colonial times?

(A) Economic self-sufficiency

(B) Colonial exploitation and economic drain

(C) Favorable balance of trade

(D) Industrial revolution in India

27. Which of the following were objectives of Small Scale Industries (SSI) in India's postindependence economy? Which of the following is correct ?

(A) Consolidation of large enterprises

(B) Employment generation and balanced regional development

(C) Dominance of foreign industries

(D) Focus solely on export-oriented production

28. On the basis of the figure given below, explain what type of unemployment can this industry result in? Suggest for two measures for reducing this kind of unemployment?

29. Defend of refute the statement with valid explanation.

"It is necessary to replace the private moneylenders by institutional sources of credit."

According to the National Sample Survey Office's (NSSO's) data, the share of regular salaried workers in employment was on the rise in 2017-18 with respect to 2011-12. For the year 2017-18, the proportion of regular salaried workers rose to 13.1% in 2017-18 for rural areas, and 47% for urban areas. State any three reasons for this observed trend across rural-urban areas?

30. (i) Define worker-population ratio.

(ii) Analyse the trends in sectoral distribution of work force in India on the basis of data

Trends in Employment Pattern (Sector-wise),

1972-2012 (in%)

Sector	**1972-73**	**1983**	**1993-94**	**1999-2000**	**2011-2012**
Primary	74.3	68.6	64	60.4	48.9
Secondary	10.9	11.5	16	15.8	24.3
Services	14.8	16.9	20	23.8	26.8
Total	100.0	100.0	100.0	100.0	100.0

31. State whether the following statements are true or false, with valid arguments

(i) The percentage share of agricultural sector in the exports of the country declined in the period 1950-1990.

(ii) The Gulf crisis and the collapse of Soviet Block was responsible, to a certain extent for the economic crisis of 1991.

32. The traditional handicrafts industries were ruined under the British rule. Do you agree with this view? Give reasons in support of your answer.

(i) What do you understand by the term economy?

(ii) How are economies classified in the economic system?

33. Read the following text carefully and answer the given questions on the basis of the same and common understanding.

The 20th century included the inception of modern family planning, which restricted the fertility of hundreds of millions of couples around the world. Due to concerns about the world's unprecedented rate of population growth in the mid-20th century, some aid agencies and international organisations began to support the establishment of family planning programs.

About 40 years later, in the mid-1990s, large-scale family planning programs were active in 115 countries. China's One Child Policy (OCP) is the largest among the World's family planning programs.

In the 1970s, after two decades of explicitly encouraging population growth, policy-makers in China began enacting a series of measures to curb it. The OCP was formally initiated in 1979 and firmly established across the country in 1980.

It was the first time that family planning policy became formal law in China. Differing from birth control policies in many other countries, the OCP assigned a compulsory general 'onebirth' quota to each couple, though its implementation has varied considerably across regions for different ethnicities at different times. The policy affected millions of couples and lasted more than 30 years.

According to the World Bank, the fertility rate in China dropped from 2.81 in 1979 to 1.51 in 2000. The reduced fertility rate is likely to have affected the Chinese labour market profoundly.

In 1979, the Chinese government formally initiated the OCP to alleviate social, economic, and environmental problems such as the high unemployment rate and scarcity of land resources.

As opposed to many family planning policies in other countries, the OCP was compulsory rather than voluntary. As the name suggests, the policy restricted a couple to having only one child. However, there were some exemptions.

The birth quota varied according to residence (urban/rural) and ethnicity (Han/non-Han). Since Han ethnicity is by far the largest in China, accounting for 93% of the population, the policy mainly restricted the fertility of people with Han ethnicity. In general, Han households in urban regions were only allowed to have one child, while most households in rural areas could have a second child if their first was female (this exception is called the "one-and-a-half-child policy"). Meanwhile, in most regions, households of non-Han ethnicity were allowed to have two or three children, regardless of gender.

In March 1991, to show resoluteness, the Central Government listed family planning among the three basic state policies in China's Eighth Five Year Plan passed by the National People's Council. The Eighth Five Year Plan explicitly set a goal of reducing the natural growth rate of the country's population to less than 1.25% on average during the following decade. To achieve such a challenging objective, national leaders employed a "responsibility system" to induce subnational or provincial officials to set high fine rates.

(i) Enumerate the effects of the policy of one child norm in China.

(ii) Comment on the growth rate trends witnessed in China and India in the last two decades.

34. (i) Unemployment in India is considered to be a chronic problem. Why?

(ii) What is meant by 'jobless growth'?

(iii) Why have Self Help Groups (SHGs) been established?

(i) Enlist some problems faced by farmers during the initial years of organic farming.

(ii) "Human capital formation gives birth to innovation, invention and technological improvements". Do you agree with the given statement? Support your answer with valid arguments.

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PRACTICE PAPER 2
Class XII
Subject – Economics (030)

Instructions

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SECTION-A - Macro Economics

1. Read the following statements carefully:
Assertion (A): The primary deficit is equal to the fiscal deficit minus interest payments.
Reason (R): The primary deficit indicates the amount of borrowing that the government needs to meet expenditures other than interest payments.
Choose the correct option from those given below:
(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.

2. "The government is considering policies to promote export-oriented industries to improve the balance of payments situation, as persistent deficits can lead to depletion of foreign exchange reserves and affect currency stability."
Source: [Ministry of Commerce and Industry Report, 2023](https://commerce.gov.in/ reports-documents/)
Which of the following measures can help reduce a balance of payments deficit?
(A) Imposing tariffs on exports (B) Devaluing the domestic currency
(C) Increasing subsidies on imports (D) Restricting foreign investments

3. The ________ method of calculating national income involves summing up the value added by each producing unit in the economy, thus avoiding double counting and accurately measuring output.
Choose the correct option to fill in the blank.
(A) Income (B) Expenditure
(C) Product (D) Investment

4. The function of money that allows it to be saved and retrieved in the future, maintaining its value over time, is known as a ________.
Choose the correct option to fill in the blank.
(A) Medium of exchange
(B) Unit of account
(C) Store of value
(D) Standard of deferred payment

5. From the given diagrams, identify the correct option that indicates the 'Marginal Revenue Curve' passing through the origin drawn at a particular angle.
(A) (ii) (B) (iii)
(C) (iv) (D) (i)

6. When the government's total expenditure equals its total revenue, the budget is said to be ______.
Choose the correct option to fill in the blank.
(A) Balanced (B) Deficit
(C) Surplus (D) Capitalized

7. Read the following statements carefully:
Statement 1: The current account in the balance of payments records transactions related to the trade of goods and services, income receipts and payments, and unilateral transfers.
Statement 2: The capital account records all international purchases and sales of assets such as stocks, bonds, and real estate, reflecting changes in a country's ownership of foreign assets.
In light of the given statements, choose the correct option from the following:
(A) Statement 1 is false and Statement 2 is true.
(B) Both Statements 1 and 2 are true.
(C) Both Statements 1 and 2 are false.
(D) Statement 1 is true and Statement 2 is false.

8. The GDP Deflator is an economic metric that adjusts the nominal Gross Domestic Product for changes in price levels to reflect real GDP. It is calculated by dividing Nominal GDP by _______ and then multiplying the result by 100.
Choose the correct option to fill in the blank.
(A) Net National Product
(B) Real GDP
(C) Gross National Product
(D) Per Capita Income

9. Read the following statements carefully:
Statement 1: The central bank acts as the lender of last resort by providing financial assistance to commercial banks facing liquidity crises, ensuring stability in the financial system.
Statement 2: This function is unnecessary in modern economies because commercial banks have sufficient reserves to manage their liquidity needs without central bank support.
In light of the given statements, choose the correct option from the following:
(A) Both Statements 1 and 2 are false.
(B) Statement 1 is false and Statement 2 is true.
(C) Statement 1 is true and Statement 2 is false.
(D) Both Statements 1 and 2 are true.

10. Based on the given diagram:
The trade surplus in services during April-January 2022-23 is __________ by USD _____ billion compared to April-January 2023-24.
(Choose the correct option to fill up the blank)
(A) higher, 19.56 (B) higher, 16.55
(C) lower, 19.56 (D) lower, 16.55

11. Where are 'borrowings from abroad' recorded in the Balance of Payments Accounts? Give reasons. Name the broad categories of transactions recorded in the 'current account' of the Balance of Payments Accounts.

12. What is Balance of Payments account? Where are the borrowings from abroad recorded in it and why?

13. An economy is in equilibrium. Calculate Marginal Propensity to Save from the following:
National Income = `1,000 crores
Autonomous Consumption = `100 crores
Investment Expenditure = `200 crores

14. Explain ‘primary deficit’ in a government budget. What does it indicate? Explain the concept of fiscal deficit in a government budget. What does it indicate?

15. Read the following text carefully and explain the relevant function of the Central Bank indicated here. The Reserve Bank of India imposed a penalty of `25 lakh on Chhattisgarh Rajya Sahakari Bank Maryadit, Raipur, for non-compliance with certain provisions of the ‘Reserve Bank of India (Know Your Customer (KYC)) Directions, 2016’. The penalty comes after the statutory inspection of the bank conducted by NABARD concerning the bank’s financial position as of March 31, 2020.
The Inspection Report pertaining thereto and examination of all related correspondence revealed, inter alia, that the bank had failed to put in place a system of periodic review of risk categorization of customers, RBI said.

16. Read the following text carefully
In economics, understanding how individuals allocate their income between saving and consumption is essential for analyzing economic behavior. Key measures, such as the average and marginal propensities, provide insights into these patterns. These concepts help economists understand income distribution and its implications for economic growth.
Distinguish between APS and MPS. Can the value of APS be negative? If yes, when? Justify with an example.

17. (a) Calculate National Income from the following data:

	(`in crores)
(i) Net domestic capital formation	220
(ii) Consumption of fixed capital	70
(iii) Private final consumption expenditure	1,200
(iv) Net current transfers to abroad	(-) 30
(v) Net imports	40
(vi) Net factor income to abroad	10
(vii) Subsidies	50
(viii) Government final consumption expenditure	200
(ix) Indirect tax	240
(x) Net change in stocks	(-)20

(b) Distinguish between stocks and flows. Give examples.

Section -B - Indian Economic Development

18. Observe the picture given below and choose the correct statement from the options given below.
(A) Investment in human capital reinforces GDP
(B) Health is the only component of human development
(C) Both (A) and (B)
(D) Both the statements are false

19. Read the following statements carefully:
Statement 1: Human capital formation has no significant impact on economic development.

Statement 2: Enhancing human capital leads to increased productivity and economic growth.
In 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.

20. Read the following statements carefully: Assertion (A) and Reason (R). Choose the correct option from those given below:
Assertion (A): Sustainable development in rural areas excludes the use of organic farming practices.
Reason (R): Organic farming does not contribute to environmental sustainability.
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.

21. Government employment generation schemes in India primarily aim to ______ unemployment and ______ job opportunities, especially in the public sector and rural areas.
Choose the correct option to fill up the blank.
(A) reduce; limited (B) ignore; traditional
(C) exacerbate; formal (D) mitigate; create

22. What was a significant infrastructural limitation in India before independence? Which of the following is/are correct ?
(i) Poor transportation networks
(ii) Lack of irrigation facilities
(iii) Inadequate power supply
(iv) Limited communication systems
Option :
(A) (i) and (ii) (B) (ii) and (iii)
(C) (i), (iii), and (iv) (D) (i), (ii), (iii), and (iv)

23. Which of the following were objectives of Small Scale Industries (SSI) in India's postindependence economy? Which of the following is correct ?
(A) Consolidation of large enterprises
(B) Employment generation and balanced regional development
(C) Dominance of foreign industries
(D) Focus solely on export-oriented production

24. Which of the following were objectives of Small Scale Industries (SSI) in India's postindependence economy? Which of the following is correct ?
(A) Consolidation of large enterprises
(B) Employment generation and balanced regional development
(C) Dominance of foreign industries
(D) Focus solely on export-oriented production

25. Identify which of the following statements is incorrect about the Goods and Services Tax (GST) in India.

Which of the following is correct ?
(A) GST replaced multiple indirect taxes with a single tax
(B) GST was introduced to simplify the tax structure
(C) GST is a uniform tax rate applicable to all goods and services
(D) GST is administered by the GST Council

26. “Despite significant growth in the education sector, India still faces challenges like low literacy rates, high dropout rates, and inadequate infrastructure, particularly in rural areas. These issues hinder the formation of human capital and affect overall economic development.”
Which of the following is a major obstacle to human capital formation in India?
(A) Overinvestment in higher education
(B) Equal access to quality education across regions
(C) Inadequate public expenditure on education and health
(D) Surplus of skilled labor in the economy

27. Which of the following are primary roles of cooperative societies in rural India? Which of the following is correct ?
(A) Providing credit facilities to farmers
(B) Facilitating the marketing of agricultural produce
(C) Offering insurance and other financial services
(D) Monopolizing agricultural markets to control prices

28. In your opinion why did the government resort to the measure of “demonetisation”? Define ‘GST’. According to you, how good is a system of GST as compared to the old tax
system? State its categories.

29. In context of the given image, give reason why India become a favourable destination for outsourcing. Also, state some services outsourced to India.

30. Elaborate the economic reforms in India in the light of “Social justice and welfare”. “The benefit of being a member of the WTO is limited for countries like India.” Explain, why?

31. ‘If the rate of resource extraction exceeds the rate of regeneration, it leads to reduction in carrying capacity of the environment.’ Discuss the rationale of the given statement with valid reasons.

32. Answer the following questions on the basis of the following data.
(a) Comment upon the Maternal Mortality Rate among India and China.
(b) Life expectancy at birth among these two countries.

Country	Maternal Mortality Rate (per lakh births)	Life Expectancy at birth (years)
India	174	68.3
China	27	76

33. Read the following text carefully and answer the given questions on the basis of the same and common understanding:
Ozone depletion, gradual thinning of earth ozone layer in the upper atmosphere caused by the release of chemical compounds containing gaseous chlorine or bromine from industry and other human activities. The thinning is most pronounced in the polar regions, especially over Antarctica. Ozone depletion is a major environmental problem because it increases the amount of ultraviolet radiation that reaches earth’s surface, which increases the rate of skin cancer, eye cataracts and genetic and immune system damage. The Montreal Protocol, ratified in 1987,

was the first of several comprehensive international agreements enacted to halt the production and use of ozone-depleting chemicals. As a result of continued international cooperation on this issue, the ozone layer is expected to recover over time.
(a) What is ozone layer depletion? Why is it a major environmental problem?
(b) What has been the result of ozone depletion?

34. Trace the relationship between human capital formation and economic growth.
(a) 'A skilled worker like software professional generates more income than an unskilled worker.' Why?
(b) Mention the vital functions of environment.
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