

Tripura Board Class 12 2026 Economics Question Paper with Solutions

Time Allowed :3 Hours

Maximum Marks :70

Total questions :37

General Instructions

Read the following instructions very carefully and strictly follow them:

1. The paper is divided into Section A and Section B.
2. Section A includes objective-type questions.
3. All questions in Section A are compulsory.
4. Section B includes short answer, and long answer type questions.
5. Answers must be written legibly within the word limit.
6. Use of unfair means or electronic devices is prohibited.
7. Follow the correct format and instructions for each section.

Section - A

1. Gifts and remittances to abroad are recorded on the:

- (A) Credit side of current account
- (B) Debit side of capital account
- (C) Debit side of current account
- (D) Credit side of capital account

Correct Answer: (C) Debit side of current account

Solution:

Step 1: Understanding Balance of Payments.

The Balance of Payments (BOP) records all economic transactions between residents of a country and the rest of the world during a given period. It is divided into two major accounts: the current account and the capital account.

Step 2: Nature of remittances and gifts.

Gifts and remittances sent abroad are considered unilateral transfers. These are transactions where money is transferred without receiving any goods or services in return. Such transfers are recorded under the current account of the Balance of Payments.

Step 3: Debit or credit classification.

When money is sent abroad, it represents an outflow of foreign exchange from the country. Any outflow of foreign exchange is recorded on the debit side of the current account in the Balance of Payments.

Step 4: Conclusion.

Therefore, gifts and remittances sent abroad are recorded on the debit side of the current account.

Final Answer: Debit side of current account.

Quick Tip

In Balance of Payments, inflow of foreign exchange is recorded on the credit side, while outflow of foreign exchange is recorded on the debit side.

2. The main reason for decline of Handicraft Industry was:

- (A) Heavy tariff on export of raw materials from India
- (B) Heavy duty on Indian handicrafts products
- (C) Heavy tariff on import of finished goods from Britain
- (D) All of these

Correct Answer: (D) All of these

Solution:

Step 1: Understanding the handicraft industry.

Before British rule, India had a flourishing handicraft industry that produced high-quality textiles, metal products, and other handmade goods. These products were widely exported and had strong demand in global markets.

Step 2: Impact of British economic policies.

During British colonial rule, several economic policies were implemented that negatively affected Indian handicrafts. Heavy duties were imposed on Indian handicraft goods, making them expensive and less competitive in international markets.

Step 3: Additional contributing factors.

British policies also allowed large-scale import of machine-made goods from Britain into India. These goods were cheaper and replaced traditional Indian handicrafts. At the same time, restrictions on raw material exports and industrial policies weakened local production.

Step 4: Conclusion.

Because multiple colonial policies together harmed the traditional handicraft sector, all the listed reasons contributed to the decline of the handicraft industry.

Final Answer: All of these.

Quick Tip

British colonial policies promoted machine-made imports from Britain while discouraging Indian handicrafts, which led to the decline of traditional industries in India.

3. Which of the following is NOT an example of physical capital:

- (A) Machinery
- (B) Raw Materials
- (C) Building
- (D) Education and knowledge in people

Correct Answer: (D) Education and knowledge in people

Solution:

Step 1: Understanding physical capital.

Physical capital refers to man-made goods that are used in the production of other goods and services. Examples include machines, buildings, tools, and raw materials used in production processes.

Step 2: Examples of physical capital.

Machinery, raw materials, and buildings are tangible assets used directly in production activities. They help increase productivity and efficiency in industries and businesses.

Step 3: Human capital concept.

Education and knowledge possessed by people are not physical objects but skills and abilities. These are categorized as human capital rather than physical capital because they enhance the productivity of individuals.

Step 4: Conclusion.

Therefore, education and knowledge in people represent human capital, not physical capital.

Final Answer: Education and knowledge in people.

Quick Tip

Physical capital refers to tangible production assets like machines and buildings, while education and skills are classified as human capital.

4. Two sector economy consists of :

- (A) Firms, Government
- (B) Households, Firms
- (C) Firms, Foreign sector
- (D) Households, Government

Correct Answer: (B) Households, Firms

Solution:

Step 1: Understanding a two sector economy.

A two sector economy is the simplest model used in economics to explain the circular flow of income. It includes only two main participants in the economy and ignores the role of government and foreign trade.

Step 2: Components of the two sector model.

In this model, the two sectors are households and firms. Households provide factors of production such as labour, land, and capital to firms, and in return they receive wages, rent, interest, and profits as income.

Step 3: Analysis of the options.

- **(A) Firms, Government:** Incorrect. Government is included in a three-sector economy.
- **(B) Households, Firms:** Correct. These are the only two sectors considered in a two sector economic model.
- **(C) Firms, Foreign sector:** Incorrect. Foreign sector appears in a four-sector open economy.
- **(D) Households, Government:** Incorrect because firms must be present for production activities.

Step 4: Conclusion.

Therefore, a two sector economy consists of households and firms.

Final Answer: Households, Firms.

Quick Tip

Remember the economic models: Two-sector economy → Households and Firms.
Three-sector economy → Households, Firms, Government. Four-sector economy → Households, Firms, Government, Foreign sector.

5. In order to reduce credit in the country, RBI may :

- (A) Buy securities in the open market
- (B) Sell securities in the open market
- (C) Reduce cash reserve ratio
- (D) Reduce Repo Rate

Correct Answer: (B) Sell securities in the open market

Solution:

Step 1: Understanding credit control by RBI.

The Reserve Bank of India (RBI) controls the money supply and credit availability in the economy through various monetary policy tools such as open market operations, cash reserve ratio (CRR), and repo rate.

Step 2: Role of open market operations.

Open Market Operations (OMO) involve buying and selling government securities in the financial market. When RBI sells securities, commercial banks purchase them using their reserves, which reduces the amount of money available for lending.

Step 3: Analysis of options.

- **(A) Buy securities in the open market:** Incorrect. This increases money supply and credit.
- **(B) Sell securities in the open market:** Correct. This reduces liquidity and credit in the banking system.
- **(C) Reduce cash reserve ratio:** Incorrect. Lower CRR allows banks to lend more money.
- **(D) Reduce Repo Rate:** Incorrect. Lower repo rate encourages borrowing and increases credit.

Step 4: Conclusion.

To reduce credit in the economy, RBI sells government securities in the open market.

Final Answer: Sell securities in the open market.

Quick Tip

When RBI sells securities → Money supply decreases. When RBI buys securities → Money supply increases.

6. Break-even point is achieved when :

(A) National Income = Consumption

- (B) Consumption = Saving
- (C) Consumption = Investment
- (D) National Income \neq Consumption

Correct Answer: (A) National Income = Consumption

Solution:

Step 1: Understanding break-even point.

Break-even point refers to the level of income at which total income equals total expenditure. At this point there is neither profit nor loss in the economy.

Step 2: Relation between income and consumption.

In macroeconomic analysis, the break-even level of income occurs when all the income earned by households is spent on consumption and there is no saving.

Step 3: Analysis of the options.

- **(A) National Income = Consumption:** Correct. When all income is consumed, saving becomes zero and the break-even point is achieved.
- **(B) Consumption = Saving:** Incorrect. Saving is generally a portion of income left after consumption.
- **(C) Consumption = Investment:** Incorrect. This is not the definition of break-even income.
- **(D) National Income \neq Consumption:** Incorrect because saving exists in this situation.

Step 4: Conclusion.

Thus, break-even point is achieved when national income equals consumption.

Final Answer: National Income = Consumption.

Quick Tip

Break-even income occurs where saving is zero. At this level: Income = Consumption.

7. Escheats is an example of :

- (A) Capital receipts
- (B) Revenue receipts
- (C) Capital expenditure
- (D) Revenue expenditure

Correct Answer: (B) Revenue receipts

Solution:

Step 1: Understanding escheats.

Escheats refer to the property or assets that revert to the government when a person dies without any legal heir or claimant. In such cases, the government becomes the owner of the property.

Step 2: Nature of government receipts.

Government receipts are divided into two types: revenue receipts and capital receipts. Revenue receipts are those receipts that do not create liabilities for the government and do not reduce its assets.

Step 3: Classification of escheats.

Escheats are treated as revenue receipts because they are non-tax income received by the government without creating any liability. They are part of the government's regular income sources.

Step 4: Conclusion.

Therefore, escheats fall under the category of revenue receipts.

Final Answer: Revenue receipts.

Quick Tip

Revenue receipts include both tax revenue and non-tax revenue such as fees, fines, grants, and escheats.

8. White Revolution is associated with:

- (A) Horticulture

- (B) Fisheries
- (C) Dairy
- (D) Animal Husbandry

Correct Answer: (C) Dairy

Solution:

Step 1: Understanding the White Revolution.

The White Revolution refers to the rapid growth in milk production in India during the second half of the twentieth century. It transformed India into one of the largest producers of milk in the world.

Step 2: Operation Flood program.

This revolution was mainly achieved through the Operation Flood program launched in 1970. The program created a nationwide milk grid and strengthened dairy cooperatives across the country.

Step 3: Role of leadership and institutions.

Dr. Verghese Kurien played a crucial role in leading the movement. The establishment of dairy cooperatives such as AMUL helped farmers increase milk production and improve their income.

Step 4: Conclusion.

Since the White Revolution focused on increasing milk production and improving the dairy sector, it is associated with dairy development.

Final Answer: Dairy.

Quick Tip

The White Revolution in India is also known as Operation Flood and was led by Dr. Verghese Kurien to boost milk production.

Section - B

9. Who is a casual wage labourer? How will you know whether a worker is working in the formal sector?

Solution:

Step 1: Meaning of a casual wage labourer.

A casual wage labourer is a worker who is employed on a temporary or daily basis and is paid wages for the work done each day. Such workers do not have permanent employment and their work is not regular. They are usually hired for short periods and may not receive benefits like paid leave, job security, or social security.

Step 2: Nature of employment of casual labourers.

Casual labourers often work in construction, agriculture, small industries, or other manual jobs. Their income is uncertain because their employment depends on the availability of work. They are generally paid daily wages and may lose their job at any time.

Step 3: Meaning of the formal sector.

The formal sector refers to that part of the economy where workers are employed in registered organizations such as government offices, large companies, and established industries. These organizations follow official rules and regulations regarding employment.

Step 4: Identifying whether a worker is in the formal sector.

A worker is considered to be working in the formal sector if the job provides regular wages or salary, job security, fixed working hours, and employment benefits such as provident fund, medical facilities, paid leave, and pension. Formal sector jobs are usually governed by labour laws.

Step 5: Conclusion.

Thus, a casual wage labourer is a temporary worker paid on a daily basis, whereas a worker in the formal sector enjoys stable employment with legal protection and various benefits.

Quick Tip

Formal sector jobs provide security, regular salary, and legal benefits, whereas casual wage labourers work temporarily and usually lack such protections.

10. What similar development strategies have India and Pakistan followed for their respective developmental paths?

Solution:**Step 1: Background of development strategies.**

After independence, both India and Pakistan aimed to achieve economic development and improve the living standards of their populations. To achieve this goal, both countries adopted several similar development strategies in their early years.

Step 2: Mixed economic system.

Both India and Pakistan followed a mixed economic system in which both the public sector and the private sector played important roles. Governments controlled key industries and infrastructure, while private enterprises were allowed to operate in other sectors.

Step 3: Emphasis on industrialization.

Both countries focused on industrial development as a means of achieving economic growth. Policies were implemented to promote industries such as steel, textiles, and manufacturing to reduce dependence on agriculture.

Step 4: Agricultural development.

India and Pakistan also emphasized agricultural development through irrigation projects, land reforms, and modern farming techniques. These efforts aimed to increase agricultural productivity and ensure food security.

Step 5: Government planning.

Both countries adopted planned economic development. India introduced Five-Year Plans, while Pakistan also implemented planned development programs to guide economic growth and allocate resources effectively.

Quick Tip

Both India and Pakistan initially followed similar strategies such as a mixed economy, industrialization, agricultural development, and government planning.

11. Explain the working of money multiplier with the help of a numerical example.**Solution:****Step 1: Meaning of Money Multiplier.**

The money multiplier refers to the process through which the banking system creates multiple deposits from an initial deposit. It shows how a small increase in bank reserves can lead to a much larger increase in the total money supply in the economy.

Step 2: Formula of Money Multiplier.

The money multiplier is calculated using the formula:

$$\text{Money Multiplier} = \frac{1}{\text{Required Reserve Ratio}}$$

Where the Required Reserve Ratio (RRR) is the fraction of deposits that banks must keep as reserves with the central bank.

Step 3: Numerical Example.

Suppose the required reserve ratio is 10% (0.10). If a person deposits 1000 in a bank, the bank must keep 100 as reserves and can lend 900.

Step 4: Deposit Expansion Process.

The 900 loan will be deposited in another bank. That bank will keep 90 as reserves and lend 810. This process continues multiple times, creating additional deposits in the banking system.

Step 5: Total Money Creation.

Using the formula:

$$\text{Money Multiplier} = \frac{1}{0.10} = 10$$

Therefore, the total potential increase in money supply from an initial deposit of 1000 is:

$$1000 \times 10 = 10000$$

Thus, the banking system can create up to 10000 in total deposits from the initial deposit of 1000.

Quick Tip

Money Multiplier depends on the reserve ratio. Lower reserve ratio leads to a higher money multiplier and greater expansion of money supply.

12. “Fiscal deficit is necessarily inflationary in nature.” Do you agree? Support your answer with valid reasons.

Solution:

Step 1: Meaning of Fiscal Deficit.

Fiscal deficit refers to the excess of total government expenditure over its total revenue (excluding borrowings) in a financial year. It indicates the amount of money the government needs to borrow to meet its expenses.

Step 2: Inflationary Nature of Fiscal Deficit.

Fiscal deficit can be inflationary when the government finances the deficit by borrowing from the central bank. In such cases, new currency is created, increasing the money supply in the economy.

Step 3: Increase in Aggregate Demand.

Higher government spending increases aggregate demand in the economy. If the production of goods and services does not increase at the same pace, the excess demand may lead to rising prices.

Step 4: Situations when Fiscal Deficit may not be Inflationary.

Fiscal deficit is not always inflationary. If the borrowed funds are used for productive investments such as infrastructure, education, and technology, it can increase production capacity and economic growth without causing inflation.

Step 5: Conclusion.

Therefore, fiscal deficit is not necessarily inflationary. Its impact depends on how the borrowed funds are utilized and the prevailing economic conditions.

Quick Tip

Fiscal deficit becomes inflationary mainly when it increases money supply without a corresponding increase in production.

13. Distinguish between Green Revolution and Golden Revolution.

Solution:

Step 1: Meaning of Green Revolution.

The Green Revolution refers to the significant increase in agricultural production in India during the 1960s and 1970s through the use of high-yielding variety (HYV) seeds, chemical fertilizers, pesticides, irrigation facilities, and modern farming techniques. It mainly increased the production of food grains such as wheat and rice.

Step 2: Meaning of Golden Revolution.

The Golden Revolution refers to the rapid growth in the production of horticultural products such as fruits, vegetables, honey, and flowers in India during the period from the 1990s to the early 2000s. It aimed to improve nutritional security and increase farmers' income through horticulture.

Step 3: Key Differences.

Green Revolution mainly focused on increasing food grain production, whereas the Golden Revolution focuses on horticulture and allied agricultural activities. The Green Revolution used improved seeds and fertilizers, while the Golden Revolution emphasizes modern horticultural techniques and diversified agriculture.

Step 4: Impact on Economy.

The Green Revolution helped India achieve self-sufficiency in food grains, reducing dependence on imports. The Golden Revolution improved the production and export of horticultural products and enhanced farmers' income.

Quick Tip

Green Revolution focuses on food grain production, while Golden Revolution focuses on horticulture such as fruits, vegetables, and honey production.

14. In an economy, the increase in income is five times the increase in investment expenditure. Calculate the value of MPC.

Solution:

Step 1: Identify the concept used.

The relationship between the change in income and change in investment is explained through the **investment multiplier**. The multiplier shows how much income increases due to an increase in investment.

Step 2: Write the formula of multiplier.

The formula for multiplier is:

$$k = \frac{\Delta Y}{\Delta I}$$

where k is the multiplier, ΔY is the change in income, and ΔI is the change in investment.

Step 3: Use the information given in the question.

It is given that the increase in income is five times the increase in investment. Therefore:

$$k = 5$$

Step 4: Use the relationship between multiplier and MPC.

The multiplier is also expressed as:

$$k = \frac{1}{1 - MPC}$$

Step 5: Calculate MPC.

Substituting $k = 5$:

$$5 = \frac{1}{1 - MPC}$$

$$1 - MPC = \frac{1}{5}$$

$$MPC = 1 - \frac{1}{5}$$

$$MPC = \frac{4}{5} = 0.8$$

Thus, the value of MPC is 0.8.

Quick Tip

Multiplier and MPC are related as $k = \frac{1}{1-MPC}$. A higher MPC results in a larger multiplier effect in the economy.

15. Give the meaning of consumption function and autonomous consumption.

Solution:

Step 1: Meaning of Consumption Function.

The consumption function refers to the functional relationship between consumption expenditure and income. It shows how the level of consumption in an economy changes with changes in disposable income. In simple terms, it explains how much households spend at different levels of income.

Step 2: Expression of Consumption Function.

The consumption function is generally expressed as:

$$C = a + bY$$

where C represents consumption, a represents autonomous consumption, b represents marginal propensity to consume (MPC), and Y represents income.

Step 3: Meaning of Autonomous Consumption.

Autonomous consumption refers to the minimum level of consumption that takes place even when income is zero. It is independent of income and is necessary for basic survival.

Step 4: Explanation of Autonomous Consumption.

When income is zero, people still need to consume essential goods such as food, clothing, and shelter. In such situations, consumption is financed through savings, borrowing, or past wealth. This part of consumption is known as autonomous consumption.

Quick Tip

In the consumption function $C = a + bY$, the term a represents autonomous consumption and b represents the marginal propensity to consume.

16. What is meant by current account?

Solution:

Step 1: Meaning of Current Account.

The current account is a component of the balance of payments that records all transactions related to the export and import of goods and services between a country and the rest of the world during a specific period.

Step 2: Transactions included in Current Account.

It includes transactions such as export and import of goods (visible trade), export and import of services (invisible trade), income from investments, and unilateral transfers like remittances, gifts, and grants.

Step 3: Importance of Current Account.

The current account helps in understanding the country's international trade position. It shows whether the country has a surplus or deficit in its international economic transactions.

Step 4: Surplus and Deficit.

If the value of exports exceeds imports, the current account shows a surplus. If imports exceed exports, it results in a current account deficit.

Quick Tip

The current account mainly records trade in goods and services, income from abroad, and unilateral transfers between countries.

17. What is meant by deficit in balance of payments?

Solution:

Step 1: Meaning of Balance of Payments.

Balance of payments is a systematic record of all economic transactions between the residents of a country and the rest of the world during a specific period. It includes transactions related to goods, services, capital, and financial transfers.

Step 2: Meaning of Deficit in Balance of Payments.

A deficit in the balance of payments occurs when the total payments made to foreign countries exceed the total receipts from them. This indicates that the country is spending more foreign currency than it is earning.

Step 3: Causes of Deficit.

Deficit in the balance of payments may occur due to high imports, low exports, large foreign debt payments, or excessive spending on foreign goods and services.

Step 4: Measures to Correct Deficit.

To correct the deficit, a country may encourage exports, reduce imports, promote domestic production, or use foreign exchange reserves.

Quick Tip

Balance of payments deficit means that a country's total international payments exceed its total international receipts.

18. What was the effect of the decline of the Handicraft industry in India?

Solution:

Step 1: Decline of Handicraft Industry.

During the British colonial period, the Indian handicraft industry faced severe decline due to the influx of cheap machine-made goods from Britain. Traditional artisans and craftsmen could not compete with these products.

Step 2: Unemployment among artisans.

The decline of handicraft industries resulted in large-scale unemployment among artisans and craftsmen who depended on traditional crafts for their livelihood.

Step 3: Decline of traditional skills.

Many traditional skills and crafts that were passed down through generations began to disappear as artisans were forced to abandon their occupations.

Step 4: Migration to agriculture.

Due to lack of employment in handicrafts, many artisans migrated to rural areas and became dependent on agriculture, increasing pressure on the agricultural sector.

Step 5: Economic impact.

The decline weakened India's economy and reduced its position as a major exporter of handicraft goods in the international market.

Quick Tip

The decline of handicraft industries during British rule led to unemployment, loss of traditional crafts, and increased dependence on agriculture.
