

# CBSE Class 12 Economics 2026 - Set 58/7/3 - Compartment



## Question Paper

Conducted by the Central Board of Secondary Education (CBSE)

**Time Allowed: 3 Hours**

**Maximum Marks: 80**

### General Instructions

- (i) This question paper contains 34 questions. All questions are compulsory.
- (ii) This question paper contains two sections : Section A – Macro Economics Section B – Indian Economic Development
- (iii) This question paper contains 20 Multiple Choice type questions. Each question carries 1 mark.
- (iv) This question paper contains 4 Short Answer Type-I questions. Each question carries 3 marks. Answer these questions in 60 to 80 words.
- (v) This question paper contains 6 Short Answer Type-II questions. Each question carries 4 marks. Answer these questions in 80 to 100 words.
- (vi) This question paper contains 4 Long Answer type questions. Each question carries 6 marks. Answer these questions in 100 to 150 words.
- (vii) Attempt all parts of a question together.
- (viii) In addition to this, note that a separate question has been provided for Visually Impaired candidates in lieu of questions having visual inputs, map etc. Such questions are to be attempted by Visually Impaired candidates only.
- (ix) There is no overall choice in the question paper. However, an internal choice has been provided in few questions. Only one of the choices in such questions has to be attempted.

## Section A - Macro Economics

1. Ayaan owns a transportation company and spent ₹ 30,000 in the year 2024 – 25 on the repair of all vehicles.

This will be classified as \_\_\_\_\_ expenditure while estimating the National Income of India.

(Choose the correct option to fill in the blank)

- |                  |                 |
|------------------|-----------------|
| (A) Intermediate | (B) Consumption |
| (C) Investment   | (D) Final       |

2. Under the Keynesian theory, 'Reference line' is a straight line passing through the origin drawn at an angle of \_\_\_\_\_.

(Choose the correct option to fill in the blank)

- |         |         |
|---------|---------|
| (A) 25° | (B) 45° |
| (C) 55° | (D) 75° |

3. Read the following statements carefully :

Statement I : Stock variables are measurable at a particular point of time.

Statement II : A change in any stock variable in a given time period is a flow variable.

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

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

4. Suppose the Reserve Bank of India (RBI) decides to keep the reserve ratio equal to 10%. The total deposits created will be \_\_\_\_\_ times the primary deposit.

(Choose the correct option to fill in the blank)

- |                         |               |
|-------------------------|---------------|
| (A) $\infty$ (Infinity) | (B) 1 (Unity) |
| (C) 0 (Zero)            | (D) 10 (Ten)  |

5. Read the following statements : Assertion (A) and Reason (R). Choose the correct option from those given below :

Assertion (A) : Capital account is in balance when capital inflows are equal to capital outflows.

Reason (R) : Autonomous capital inflows indicate a decrease in assets and an increase in liabilities.

- |                                                                                                            |                                                                                                                 |
|------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| (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. "In recent times, the Reserve Bank of India has reduced the Repo Rate (RR)."

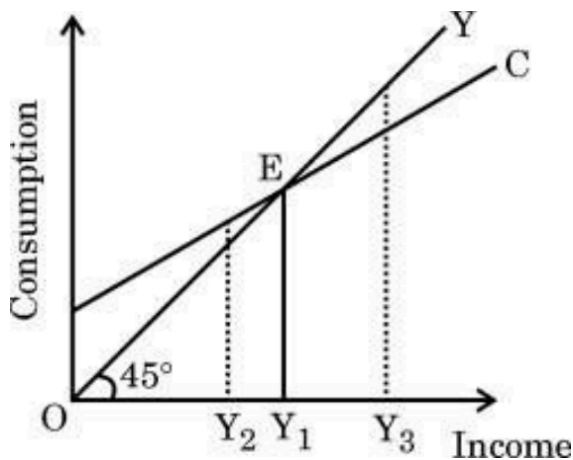
The most likely objective of the Reserve Bank of India behind this policy change is to \_\_\_\_\_ the borrowing cost and \_\_\_\_\_ liquidity in the economy.

(Choose the correct option to fill in the blanks)

- |                        |                        |
|------------------------|------------------------|
| (A) decrease, decrease | (B) increase, increase |
| (C) decrease, increase | (D) increase, decrease |

7. Refer to the given diagram. At which level of income will the value of Average Propensity to Save (APS) be zero ?

(Choose the correct option)



- (A) Level O (B) Level  $OY_1$   
(C) Level  $OY_2$  (D) Level  $OY_3$

**7-VI. For visually impaired candidates only, in lieu of the corresponding visual question:**

Note : The following question is for the Visually Impaired Candidates only, in lieu of Q. No. 7.

At the break-even level of income, the slope of the consumption function will be equal to \_\_\_\_\_.

(Choose the correct option to fill in the blank)

- (A) Average Propensity to Save (APS) (B) Average Propensity to Consume (APC)  
(C) Marginal Propensity to Save (MPS) (D) Marginal Propensity to Consume (MPC)

8. Identify which of the following option will be included while estimating the national income by income method.

(Choose the correct option)

- (A) Windfall gains (B) Capital loss  
(C) Mixed income (D) Transfer income

9. “Anil purchased a house costing ₹ 30 lakhs. For this, he took a bank loan, which he agreed to repay over a period of 25 years in fixed monthly instalments.”

Identify the function of money indicated in the above situation.

(Choose the correct option)

- (A) Medium of exchange (B) Standard of deferred payments  
(C) Medium of exchange and standard of deferred payments (D) Store of value

10. Identify the transactions that will be recorded in India’s capital account of the Balance of Payments (BoP) :

(Choose the correct option)

- (i) Indian residents purchasing properties in Dubai  
(ii) Indian firms borrowing from international banks  
(iii) Remittances by Indians working abroad  
(iv) Repayment of outstanding loans by the Indian Government to the IMF

- (A) (i) and (iii) (B) Only (iii)  
(C) (ii) and (iii) (D) (i), (ii) and (iv)

**11(a).** From the following data of a hypothetical economy, calculate the value of National Income ( $NNP_{FC}$ ).

| S. No. | Particulars                                | Amount (in ₹ Crore) |
|--------|--------------------------------------------|---------------------|
| (i)    | Mixed income of the self-employed          | 550                 |
| (ii)   | Net factor income from abroad              | (-) 50              |
| (iii)  | Rent                                       | 150                 |
| (iv)   | Consumption of fixed capital               | 40                  |
| (v)    | Profits after tax                          | 250                 |
| (vi)   | Wages and salaries                         | 1700                |
| (vii)  | Net indirect taxes                         | 50                  |
| (viii) | Corporate tax                              | 150                 |
| (ix)   | Dividends                                  | 50                  |
| (x)    | Net exports                                | (-) 40              |
| (xi)   | Interest                                   | 350                 |
| (xii)  | Social security contributions by employers | 80                  |

OR

**11(b).** Giving valid reasons, state whether the following will be included in India's National Income :

- Expenditure on the construction of a new floor of its factory premises by a firm
- A quintal of rice kept aside by a farmer for his family's consumption

**12.** "The RBI is implementing a phased reduction of the Cash Reserve Ratio (CRR) from 4% to 3%."

In the light of the given information, explain the rationale behind the Reserve Bank of India's policy initiative to promote credit expansion.

**13(a).** Identify, the category of goods to which the following belong. Explain the difference between the two categories of goods.

- A household buying vegetables from a vegetable vendor
- A restaurant buying vegetables from the same vegetable vendor

OR

**13(b).** "If the Gross Domestic Product (GDP) of a country is rising, the welfare of people may not rise as a consequence."

Defend or refute the above statement with a valid explanation.

**14.** The exchange rate of the US dollar to the Indian rupee has fluctuated between a high of ₹ 88.325 on September 5, 2025 and a low of ₹ 87.899 on September 2, 2025.

In the light of these exchange rate movements, analyse the likely impact on the exports and imports of India, assuming all other factors constant.

**15(a).** Give the meaning of 'Deflationary Gap'.

**15(b).** Explain the adjustment mechanism to restore equilibrium in the economy, if ex-ante Aggregate Demand is less than ex-ante Aggregate Supply.

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**16(a)(i).** “Suppose, in an economy, a given rise in investment expenditure results in a five-fold increase in National Income.”

Calculate the rise in the investment expenditure if the change in income was ₹ 2,000 crore.

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**16(a)(ii).** Explain any one fiscal measure which the government of the nation can initiate to curtail the situation of inflationary gap in the economy.

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OR

**16(b)(i).** In a hypothetical economy, whenever the income increases, savings of the households increase by 20%. Their consumption expenditure which is independent of the level of income is ₹ 200 crore. The autonomous investment expenditure is ₹ 100 crore. Calculate the Equilibrium level of Income.

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**16(b)(ii).** The Central Bank announced that it will conduct auctions of government securities (G-Sec) for a total of ₹ 80,000 crore through open market operations.

In the light of the information given above, analyse the likely impact of such open market operations of the Central Bank on the aggregate demand of the Indian economy.

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**17.** Read the following text carefully :

According to the federal government’s budget document, India will spend ₹ 4.57 trillion (\$ 52.81 billion) on subsidies for food, fertilisers and rural employment schemes in the next financial year.

The federal government has budgeted a collective spending of ₹ 4.54 trillion for the current fiscal year ending March 31 across the three types of subsidies, as per the government’s revised estimates. The allocation for the government’s flagship rural jobs guarantee programme has been retained at ₹ 860 billion while that for fertilisers has been marginally lowered to ₹ 1.67 trillion from ₹ 1.71 trillion revised estimate for 2024 – 25.

The country has budgeted ₹ 2.03 trillion for food subsidy for the upcoming financial year at slightly above the ₹ 1.97 trillion revised estimate for the ongoing fiscal year.

On the basis of the above text and common understanding related to economics, answer the following questions :

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**17(i).** Explain the objective of government budget indicated in the text.

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**17(ii).** Identify the category of budgetary expenditure to which subsidies belong and explain the reason in support of your answers.

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## Section B - Indian Economic Development

**18.** Identify the correct statement from the following :

(Choose the correct option)

- |                                                                                                                                                                  |                                                                                                                                                                |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>(A) Human capital is tangible, whereas physical capital is intangible.</p> <p>(C) Human capital benefits not only the owner, but also society in general.</p> | <p>(B) Human capital formation and physical capital are the same.</p> <p>(D) Human capital, and physical capital, nature of depreciation remains the same.</p> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|

**19.** Identify the limitation of organic farming from the following :

(Choose the correct option)

- |                                                           |                                                                |
|-----------------------------------------------------------|----------------------------------------------------------------|
| <p>(A) Healthier food</p> <p>(C) Environment-friendly</p> | <p>(B) Shorter shelf-life</p> <p>(D) Lower production cost</p> |
|-----------------------------------------------------------|----------------------------------------------------------------|

**20.** Raghav is a factory owner with 50 workers. He laid off 5 workers and noticed that the total factory output remained the same. This situation will most likely be described as \_\_\_\_\_ employment.

(Choose the correct option to fill in the blank)

- |                |                |
|----------------|----------------|
| (A) Structural | (B) Disguised  |
| (C) Seasonal   | (D) Frictional |

**21.** The expenditure by the Indian government on education is expressed as a percentage of \_\_\_\_\_ .

(Choose the correct option to fill in the blank)

- (i) Gross Domestic Product (GDP)
- (ii) Total Government Expenditure
- (iii) Total State Expenditure

- |                    |                         |
|--------------------|-------------------------|
| (A) (i) and (iii)  | (B) (i) and (ii)        |
| (C) (ii) and (iii) | (D) (i), (ii) and (iii) |

**22.** Identify the example of a casual worker from the following :

(Choose the correct option)

- |                                                                                     |                                                                                                                     |
|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
| <p>(A) An exporter of carpets</p> <p>(C) A mason working at a construction site</p> | <p>(B) A nurse permanently employed in a government hospital</p> <p>(D) A local tailor running his own business</p> |
|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|

**23.** From the set of terms given in Column I and the corresponding facts given in Column II, choose the correct pair :

|     | Column I                                    |       | Column II                                                  |
|-----|---------------------------------------------|-------|------------------------------------------------------------|
| a . | Great Leap Forward                          | i .   | Students and professionals were sent to the countryside    |
| b . | Great Proletarian Cultural Revolution       | ii .  | Aimed at bringing changes in agriculture and industry      |
| c . | Economic Reforms in China                   | iii . | Aimed at nationalisation of capital good industries        |
| d . | Establishment of People's Republic of China | iv .  | All critical sectors were brought under government control |

- |           |          |
|-----------|----------|
| (A) a-i   | (B) b-ii |
| (C) c-iii | (D) d-iv |

**24.** Indian producers were protected against foreign competition which did not give them the incentive to improve the quality of goods that they produced. Identify the policy referred to :

(Choose the correct option)

- |                                        |                                              |
|----------------------------------------|----------------------------------------------|
| (A) Industrial Policy Resolution, 1948 | (B) Policy to promote small-scale industries |
| (C) Import substitution policy         | (D) Licencing policy                         |

**25.** In a hypothetical country, if the worker-population ratio is 30 and total number of workers is 1500, its total population will be \_\_\_\_\_ .

(Choose the correct option to fill in the blank)

- |           |            |
|-----------|------------|
| (A) 50    | (B) 450    |
| (C) 5,000 | (D) 50,000 |

**26.** Read the following statements carefully :

Statement I : Prasanta Chandra Mahalanobis is known as the architect of Indian planning.

Statement II : The Industrial Policy Resolution of 1948 was adopted to ensure that the state takes the dominating status in the economy.

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

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

**27.** According to Herman Daly (an environmental economist), to achieve sustainable development \_\_\_\_\_ .

(Choose the correct option to fill in the blank)

- |                                                                         |                                                                                           |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| (A) the human population should be limited within the carrying capacity | (B) technological progress should be input-consuming                                      |
| (C) renewable resources should not be extracted on a sustainable basis  | (D) the non-renewable resources' rate of depletion should exceed its rate of substitution |

**28.** "India and Pakistan followed similar developmental strategies for their own development paths."

Do you agree with the given statement ? Justify your answer with a relevant explanation.

**29(a).** A new start-up has decided to hire software engineers. Its managers have decided to resort to on-the-job training for the freshers.

Do you endorse this decision taken by the managers ? Justify your answer with a valid explanation.

OR

**29(b).** After the reforms of 1991, India has been witness to employment opportunities in the service sector. These new jobs are mainly found in the informal sector.

Justify the given statement with a valid explanation.

### 30. Demographic Indicators, 2022

| Co<br>un<br>try  | Estimated<br>Population<br>(In Millions) | Annual Growth<br>Rate of<br>Population | Gender Ratio<br>(Per<br>Thousand<br>Males) |
|------------------|------------------------------------------|----------------------------------------|--------------------------------------------|
| Ind<br>ia        | 1412                                     | 0.68%                                  | 938                                        |
| Chi<br>na        | 1417                                     | - 0.01%                                | 959                                        |
| Pak<br>ista<br>n | 236                                      | 1.89%                                  | 982                                        |

Analyze the data given above, about the three nations with respect to their demographic indicators.

**31(a).** “With the de-reservation of industries from the public sector in 1991, the telecommunications sector witnessed rapid growth. On the contrary, the same was not experienced by the agriculture sector.”

In the light of the above statement, discuss the reasons behind the adverse impact of reforms on the agriculture sector.

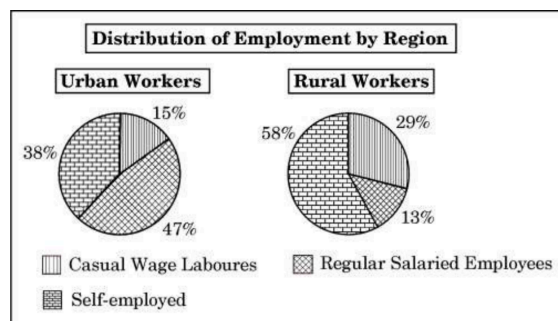
OR

**31(b).** “An important outcome of the integration of the Indian economy with the global world economy is outsourcing. In recent times, India has become a hub for Business Process Outsourcing.”

State and discuss any two reasons behind this development after the 1991 economic reforms.

**32(a).** Answer the following questions on the basis of the above image :

Which category of workers enjoys a greater proportion of the total workforce in both rural and urban areas ?



**32(b).** Answer the following questions on the basis of the above image :

Discuss any two reasons behind this pattern.

**32-VI. For visually impaired candidates only, in lieu of the corresponding visual question:**

Note : The following question is for the Visually Impaired Candidates only in lieu of Q. No. 32.

Discuss any two reasons behind the pattern of distribution of workers in rural and urban areas with respect to the following categories :

- (a) Self-employed
- (b) Regular salaried employees

**33(a)(i)(I).** As the Disinvestment Commission has observed, “the essence of a long-term disinvestment strategy should be not only to enhance budgetary receipts, but also minimise budgetary support towards unprofitable units. Also, it must ensure the long-term viability and sustainable levels of employment in such units.”

Identify the sector, whose disinvestment is being referred to in the statement.

**33(a)(i)(II).** As the Disinvestment Commission has observed, “the essence of a long-term disinvestment strategy should be not only to enhance budgetary receipts, but also minimise budgetary support towards unprofitable units. Also, it must ensure the long-term viability and sustainable levels of employment in such units.”

Justify this disinvestment strategy adopted by the Indian Government.

**33(a)(ii).** “Agricultural stagnation in colonial India was not only due to the use of backward techniques of production, but also a result of exploitative land settlement systems and policies adopted by the British.”

Defend or refute this statement giving valid arguments.

OR

**33(b)(i).** “In the 1950s, excessive government regulation prevented the growth of entrepreneurship.”

Do you agree with the given statement ? Give a valid explanation in support of your answer.

**33(b)(ii).** “The tax reductions in the reform period have not resulted in an increase in tax revenue.”

Justify the given statement with a valid explanation.

**34.** Read the following text carefully :

India’s floriculture industry has grown into a high-performing sector, earning its status as a “sunrise industry” with a 100 per cent export orientation. Driven by a growing global demand for flowers, floriculture has evolved into a key commercial venture within the agriculture sector.

Commercial floriculture is particularly lucrative, offering higher returns per unit area than many traditional field crops. Production of flowers witnessed more profitability compared to cereals, pulses, vegetables and oilseeds. With subsidy support and crop loan financing, it is a promising venture for marginal and small landholdings, which constitute more than 96 per cent of the total landholdings and 63 per cent of the area of cultivation under floriculture.

In FY24, approximately 297 thousand hectares were dedicated to floriculture. During the same period, India exported 19,678 metric tonnes of floriculture products, earning ₹ 717.83 crore (USD 86.63 million). Key export destinations included the USA, the Netherlands, the UAE, the UK, Canada and Malaysia.

On the basis of the given text and common understanding related to economics, answer the following questions :

**34(i).** Why is floriculture essential for providing a sustainable livelihood for the farmers ?

**34(ii).** Explain any two ways in which the government can extend help to the small and marginal farmers.

- End of Question Paper -