



## INDIAN SCHOOL AL WADI AL KABIR

### DEPARTMENT OF COMMERCE

### TERM 1- SAMPLE PAPER

**CLASS XII**  
**TIME: 90 Minutes**

**SUB: ECONOMICS**  
**MAX. MARKS:40**

#### **GENERAL INSTRUCTIONS:**

1. There are a total 60 questions in this paper out of which 50 questions are to be attempted.
2. This paper is divided into three Sections:
  - a. Section A – Contains 24 questions. Attempt any 20 questions.
  - b. Section B – Contains 24 questions. Attempt any 20 questions.
  - c. Section C – Contains 12 questions. Attempt any 10 questions.
3. All questions carry equal marks.
4. There is no negative marking.

Q. No.	SECTION:A
	<p>Read the following passage and answer the questions (1-4):</p> <p>In India, the supply of money is regulated by the Reserve Bank of India (RBI) which acts as the monetary authority of the country. Various actions of the public, the commercial banks of the country and RBI are responsible for changes in the supply of money in the economy. RBI regulates money supply by controlling the stock of high-powered money, the bank rate and reserve requirements of the commercial banks. It also sterilizes the money supply in the economy against external shocks.</p>
1.	<p>Bank rate is the rate at which</p> <ol style="list-style-type: none"><li>a. Central bank lends money to commercial banks in long term.</li><li>b. Commercial bank lends money to central banks in long term.</li><li>c. Central bank lends money to commercial banks in short term.</li><li>d. Commercial banks lend money to central banks in short term.</li></ol>
2.	<p>High powered money is:</p> <ol style="list-style-type: none"><li>a. The sum of commercial bank reserves and currency held by the bank.</li><li>b. The sum of central bank reserves and currency held by the commercial banks.</li><li>c. The sum of cash reserves with the commercial banks and currency held by the public</li><li>d. None of the above</li></ol>

3.	<p>Increase in money supply leads to:</p> <ol style="list-style-type: none"> <li>Inflation</li> <li>Deflation</li> <li>Equilibrium</li> <li>None of the above</li> </ol>
4.	<p>Money supply consists of:</p> <ol style="list-style-type: none"> <li>Demand deposits in the bank and the currency held by the public.</li> <li>Term deposits in the bank and the currency held by the public.</li> <li>The sum of demand deposits and term deposits.</li> <li>None of the above</li> </ol>
5.	<p>Money is a measure of currency.</p> <ol style="list-style-type: none"> <li>True</li> <li>False</li> </ol>
6.	<p>Given CRR = 4% and SLR = 16%, the value of money multiplier is:</p> <ol style="list-style-type: none"> <li>25</li> <li>6.25</li> <li>5</li> <li>8.33</li> </ol>
7.	<p>A: Fines and penalties are a source of non-tax revenue for the Government. R: A fine of Rs 500 was imposed for not wearing a mask.</p> <p>Choose the correct option:</p> <ol style="list-style-type: none"> <li>Both assertion and reason are TRUE and reason is the correct explanation of the assertion.</li> <li>Both assertion and reason are TRUE and reason is NOT the correct explanation of the assertion.</li> <li>Assertion is TRUE but reason is FALSE.</li> <li>Reason is TRUE but assertion is false. is FALSE.</li> </ol>
8.	<p>Spot the Capital Receipt:</p> <ol style="list-style-type: none"> <li>Tax</li> <li>External grants received</li> <li>Dividend</li> <li>Disinvestment</li> </ol>
9.	<p>Fiscal deficit in a government budget refers to:</p> <ol style="list-style-type: none"> <li>Shortfall in taxes</li> <li>Shortfall in disinvestment</li> <li>Disinvestment requirement</li> <li>Borrowing requirement</li> </ol>
10.	<p>Steps taken through the government budget can influence: -</p> <ol style="list-style-type: none"> <li>Allocation of resources</li> <li>Reducing income inequalities</li> </ol>

	<ul style="list-style-type: none"> <li>c. Control inflation</li> <li>d. All of the above</li> </ul>
11.	<p>Which of the following statements is true?</p> <ul style="list-style-type: none"> <li>a. Fiscal deficit is the difference between total expenditure and total receipts</li> <li>b. Primary deficit is the difference between total receipt and interest payments</li> <li>c. Fiscal deficit is the sum of primary deficit and interest payments</li> <li>d. Primary deficit is the difference between revenue deficit and interest payments</li> </ul>
12.	<p>An expenditure which is of recurring or non-recurring in nature, and which is based on five-year economic plans is called:</p> <ul style="list-style-type: none"> <li>a. Revenue expenditure</li> <li>b. Capital expenditure</li> <li>c. Planned expenditure</li> <li>d. Non-plan Expenditure</li> </ul>
13.	<p><b>A:</b> A country always tries to balance the BOP account. i.e. Balance in current account is always equal to balance in capital account.  <b>R:</b> Balanced BOP indicates stable economic condition of the country.</p> <p>Choose the correct option:</p> <ul style="list-style-type: none"> <li>a. Both assertion and reason are TRUE and reason is the correct explanation of the assertion.</li> <li>b. Both assertion and reason are TRUE and reason is NOT the correct explanation of the assertion.</li> <li>c. Assertion is TRUE but reason is FALSE.</li> <li>d. Reason is TRUE but assertion is FALSE.</li> </ul>
14.	<p>Balance of Payments of a country is a statement that records: -</p> <ul style="list-style-type: none"> <li>a. Sources of foreign exchange</li> <li>b. Uses of foreign exchange</li> <li>c. Both a and b</li> <li>d. None of them</li> </ul>
15.	<p>Choose the correct statement from given below:</p> <ul style="list-style-type: none"> <li>a. Balance of trade records the exports and imports of invisible items.</li> <li>b. A surplus in BOT can rectify the deficit in BOP.</li> <li>c. Accommodating items are only recorded in the capital account of the BOP.</li> <li>d. Import of machinery will be recorded in the capital account of BOP.</li> </ul>

16.	<p>Current accounts record all payments to rest of the world as _____ and all receipts from rest of the world as _____</p> <p>a. Credit, Debit b. Debit, Credit c. Debit, Debit d. Credit, Credit</p>
17.	<p>Balance of trade is a _____ concept as compared to balance of payments.</p> <p>a. narrower b. broader c. similar d. None of the above</p>
18.	<p>An Indian real estate company received rent from google in New York. This transaction would be recorded on _____ side of _____ account.</p> <p>a. credit, current b. debit, capital c. credit, capital d. debit, current</p>
19	<p>Q. 41 Read the following statements - Assertion (i) and Reason (ii). Choose one of the correct alternatives given below:</p> <p>Assertion (i): currency issued by the central bank can be held by the public Known as Monetary base.</p> <p>Reason (ii): It consists coins and paper currency.</p> <p>a. Both Assertion (i) and Reason (ii) are true and Reason (ii) is the correct explanation of Assertion (i).</p> <p>b. Both Assertion (i) and Reason (ii) are true and Reason (ii) is not the correct explanation of Assertion (i)</p> <p>c. Assertion (i) is true but Reason (ii) is false.</p> <p>d. Assertion (i) is false but Reason (ii) is true.</p>
20	<p>ASSERTION (A)-Government budget is an annual estimated statement of revenue and expenditure during the coming fiscal year.</p> <p>REASON (R)- Through the government budget it tries to reduce the regional variations.</p> <p>a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).</p>

	<p>b. Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)</p> <p>c. Assertion (A) is true, but Reason (R) is false.</p> <p>d. Assertion (A) is false, but Reason (R) is true.</p>										
21	<p>Assertion (A): Managed Floating Exchange Rate is decided by market forces but remains within a specific range as decided by central banks.</p> <p>Reason (R): Exchange rate is determined by the forces of demand and supply of foreign exchange, but the Central Bank intervenes to buy or sell foreign currency to moderate the exchange rate fluctuations.</p> <p>Read the following statements-Assertion (A) and Reason (R), and select the correct alternative in each case.</p> <p>a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).</p> <p>b. Both Assertion (A) and Reason (R) are true but Reason (R) is the correct explanation of Assertion (A)</p> <p>c. Assertion (A) is true but Reason (R) false.</p> <p>d. Assertion (A) is false but Reason (R) is true.</p>										
22	<table border="1"> <thead> <tr> <th>Column I</th> <th>Column II</th> </tr> </thead> <tbody> <tr> <td>a. External commercial borrowing</td> <td>i. Available at the concessional rate of interest</td> </tr> <tr> <td>b. Real assets</td> <td>ii. Stocks and bonds</td> </tr> <tr> <td>c. Autonomous items</td> <td>iii. Classified as 'below the line' items of BoP</td> </tr> <tr> <td>d. Exports of goods and services</td> <td>iv. Recorded as positive items in BoP accounts</td> </tr> </tbody> </table> <p>Only one pair of statement is correct in the above table. Identify the correct pair.</p>	Column I	Column II	a. External commercial borrowing	i. Available at the concessional rate of interest	b. Real assets	ii. Stocks and bonds	c. Autonomous items	iii. Classified as 'below the line' items of BoP	d. Exports of goods and services	iv. Recorded as positive items in BoP accounts
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23	<p>Invisibles balance refers to:</p> <p>a. Exports - Imports</p> <p>b. Trade balance + Balance of non-factor services</p> <p>c. Balance of non-factor services + Balance of income + Balance of transfers</p> <p>d. Exports - Imports + Balance of factor services</p>										
24	<p>India's foreign exchange reserves have jumped by \$100 billion in 10 months to a record high of \$534.5 billion. The rise has been led by strong foreign fund inflows recently and decline in import bill due to dip in crude oil prices and trade impact following COVID-19 pandemic. Reduced imports of gold also cut down India's import bill.</p> <p>Import of Petroleum from Iran will be mentioned:</p> <p>a. Credit side of Capital Account</p> <p>b. Debit side of Capital Account</p> <p>c. Credit side of Current Account</p> <p>d. Debit side of Current Account</p>										

<b>SECTION: B</b>	
25.	The public sector during the British rule, remained confined to the following areas of operation: <ul style="list-style-type: none"> <li>a. railways</li> <li>b. power generation</li> <li>c. both (a) and (b)</li> <li>d. none of the above</li> </ul>
26.	The stagnation in agriculture was caused mainly due to: <ul style="list-style-type: none"> <li>a. systems of land settlement</li> <li>b. commercialisation of agriculture</li> <li>c. zamindari system</li> <li>d. all of the above</li> <li>e.</li> </ul>
27.	Identify the economist who did not provide any estimate about the national and per capita income during the colonial period: <ul style="list-style-type: none"> <li>a. Dadabhai Naoroji</li> <li>b. V.K.R.V. Rao</li> <li>c. Horace Secrist</li> <li>d. Findlay Shirras</li> </ul>
28.	Read the following statements—Assertion (A) and Reason (R). Choose one of the correct alternatives given below: <p><b>Assertion:</b> The policies of the colonial government brought a fundamental change in the structure of the Indian economy.</p> <p><b>Reason:</b> The economic policies pursued by the colonial government favoured the promotion of their economic interest.</p> <ul style="list-style-type: none"> <li>a. Assertion and Reason both are correct statements and Reason is correct explanation for Assertion.</li> <li>b. Assertion and Reason both are correct statements but Reason is not correct explanation for Assertion.</li> <li>c. Assertion is true but Reason is false.</li> <li>d. Assertion is false but Reason is true.</li> </ul>
29.	Land ceiling refers to: <ul style="list-style-type: none"> <li>a. Fixing rural landholding at the existing level</li> <li>b. Fixing the quantum of land held by an individual</li> <li>c. Fixing urban landholdings at the existing level</li> <li>d. Fixing land area for irrigation purposes</li> </ul>
30.	What is needed to provide protection against natural calamities like floods, drought, locusts, thunderstorms, etc? <ul style="list-style-type: none"> <li>a. Multiple cropping</li> <li>b. Green revolution</li> <li>c. Crop insurance</li> <li>d. HYV</li> </ul>

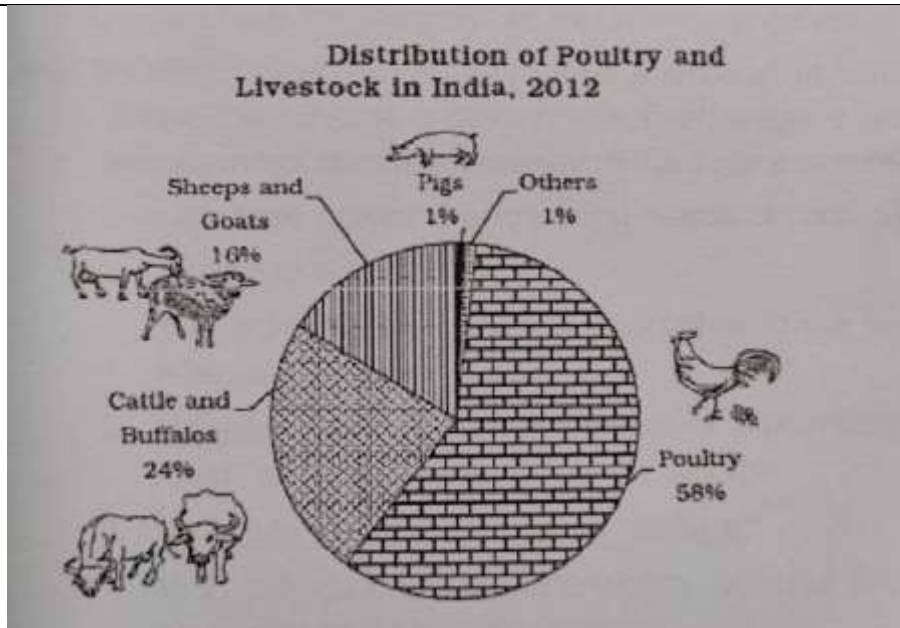
31.	<p>Which of the following statements is not true?</p> <ol style="list-style-type: none"> <li>SSI were given protection from big industries</li> <li>Concession were given to SSI</li> <li>Government allowed SSI and large industries to produce any type of goods</li> <li>None</li> </ol>
32.	<p>Read the following statements—Assertion (A) and Reason (R). Choose one of the correct alternatives given below:</p> <p><b>Assertion:</b> In the first phase of the green revolution, all the states received the HYV or High Yielding Variety of seeds.</p> <p><b>Reason:</b> The use of HYV seeds primarily benefited the wheat growing regions only.</p> <ol style="list-style-type: none"> <li>Assertion and Reason both are correct statements and Reason is correct explanation for Assertion.</li> <li>Assertion and Reason both are correct statements but Reason is not correct explanation for Assertion.</li> <li>Assertion is true but Reason is false.</li> <li>Assertion is false but Reason is true</li> </ol>
33.	<p>Special economic zones (SEZ) developed by the government of India aim</p> <ol style="list-style-type: none"> <li>To attract foreign companies to invest in India</li> <li>To encourage small investors</li> <li>To encourage regional development</li> <li>None of the above</li> </ol>
34.	<p>FDI attracted by globalization in India belongs to the</p> <ol style="list-style-type: none"> <li>World bank</li> <li>Multinationals</li> <li>Foreign governments</li> <li>None of the above</li> </ol>
35.	<p>. If a country liberalizes its trade, it will make the country more attractive for</p> <ol style="list-style-type: none"> <li>Inward investment</li> <li>Exchange reserve</li> <li>Consumption</li> <li>Price</li> </ol>
36.	<p>Read the following statements—Assertion (A) and Reason (R). Choose one of the correct alternatives given below:</p> <p><b>Assertion:</b> The trade policy reforms aimed at dismantling of quantitative restrictions on imports and exports</p> <p><b>Reason:</b> Export duties have been removed to increase the competitive position of Indian goods in the international markets</p> <ol style="list-style-type: none"> <li>Assertion and Reason both are correct statements and Reason is correct explanation for Assertion.</li> <li>Assertion and Reason both are correct statements but Reason is not correct</li> </ol>

	<p>explanation for Assertion.  (c) Assertion is true but Reason is false.  (d) Assertion is false but Reason is true.</p>
37.	<p>_____, noted Laureate, has developed an Index to estimate poverty, known as Sen Index.</p> <p>(a) Dadabai Navroji  (b) VKRV Rao  (c) William Digby  (d) Amartya Sen</p>
38.	<p>Read the following statements—Assertion (A) and Reason (R). Choose one of the correct alternatives given below:  <b>Assertion:</b> One way of measuring poverty is to determine it by the monetary value (per capita expenditure) of the minimum calorie intake that was estimated at 2,400 calories for a rural person and 2,100 calories for a person in the urban area.  <b>Reason:</b> The poverty line was defined for rural areas as consumption worth Rs 816 per person a month and for urban areas it was Rs 1,000</p> <p>(a) Assertion and Reason both are correct statements and Reason is correct explanation for Assertion.  (b) Assertion and Reason both are correct statements but Reason is not correct explanation for Assertion.  (c) Assertion is true but Reason is false.  (d) Assertion is false but Reason is true</p>
39.	<p><b>Read the following case study, answer the question on the base of the same.</b></p> <p>Despite years of strong economic growth in India, rural poverty still affects tens of millions of households. In 2005, the government created the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) to address rural poverty. The scheme, which commits the government to providing adult members of rural households with 100 days of paid work, should provide a revolutionary safety net for rural households. Yet corruption, insufficient administrative capacity, a lack of awareness among many rural inhabitants, and manipulation by influential political and economic actors have undermined it.</p> <p>Which one is the Self-employment programmes initiated by the government</p> <p>a. Sampoorna Grameen Rozgar Yojana  b. National food for work programme  c. National social assistance programme  <b>d. Prime minister’s Rozgar yojana</b></p>
40.	<p>Human capital formation includes:</p> <p>(a) Expenditure on education  (b) expenditure on health  (c) Expenditure on training  (d) all of the above</p>



41.	<p>Human capital consists of:</p> <ol style="list-style-type: none"> <li>Entrepreneurs</li> <li>Both workers and entrepreneurs</li> <li>Workers</li> <li>Entire population</li> </ol>
42.	<p>Read the following statements—Assertion (A) and Reason (R). Choose one of the correct alternatives given below:</p> <p><b>Assertion:</b> Expenditure on migration is a source of human capital formation  <b>Reason:</b> The enhanced earning in the new place does not outweigh the costs of migration.</p> <ol style="list-style-type: none"> <li>Assertion and Reason both are correct statements and Reason is correct explanation for Assertion.</li> <li>Assertion and Reason both are correct statements but Reason is not correct explanation for Assertion.</li> <li>Assertion is true but Reason is false.</li> <li>Assertion is false but Reason is true.</li> </ol>
43.	<p>The policy intervening rural credit/agriculture has always been credit driven. This is even more pronounced in the Recent Interventions made by the state in the package announced for distressed farmers in doubling agricultural credit, providing subvention and putting an upper cap on interest rates for agricultural loans. Looking specifically at rural financial markets using some Primary data, we argue that it is necessary to understand the Rural Financial markets from demand side.</p> <p>----- was set up in 1982 as an apex body to coordinate the activities of all institutions involved in the rural financing system. (Public distribution system / The national bank for agriculture and rural development.)</p>
44.	<p>Which of the following is not an institutional source of Rural credit?</p> <ol style="list-style-type: none"> <li>Co-operative societies</li> <li>Commercial and regional rural banks</li> <li>NABARD</li> <li>Desi banker</li> </ol>
45.	<p>The scheme of 'Micro Finance' is extended through</p> <ol style="list-style-type: none"> <li>Self-help groups</li> <li>Land development banks</li> <li>NABARD</li> <li>Regional rural banks</li> </ol>
46.	<p>Why is minimum support price fixed by the government?</p> <ol style="list-style-type: none"> <li>For government own benefit</li> <li>To safeguard the interest of the farmers</li> <li>To safeguard the interest of consumer</li> <li>None of these</li> </ol>

47.



Livestock sector provides livelihood to over 70 million small and marginal farmers in India. The chart shows distribution of livestock in the country.

- a. Which of the following measures of rural development is most effective to reduce risk of livelihood for exclusive dependency on agriculture?
  - i. Agricultural credit system
  - ii. Rural diversification
  - iii. Agricultural marketing
  - iv. Organic farming
  
- b. Which of the following is not an objective for rural diversification?
  - i. Provide productive sustainable livelihood options
  - ii. To reduce risk of exclusive dependency on agriculture
  - iii. For gainful employment in Rabi season
  - iv. Increasing tax income of the government

48.

Read the following statements—Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

**Assertion:** Human Capital Formation is required for effective use of physical capital

**Reason:** Formation of human capital raises life expectancy of the people.

- (a) Assertion and Reason both are correct statements and Reason is correct explanation for Assertion.
- (b) Assertion and Reason both are correct statements but Reason is not correct explanation for Assertion.
- (c) Assertion is true but Reason is false.
- (d) Assertion is false but Reason is true.

**SECTION: C**

Examine the following data and answer Qn 49- 52.

particulars	Rs (in crores)
i. Non-debt clearing capital receipts	25000
ii. Revenue Deficit	12000
iii. Interest payment	7000
iv. Revenue Expenditure	20000
v. Capital Expenditure	35000

49. Calculate revenue deficit.

50. How much is fiscal deficit?

51. Calculate primary deficit.

52. Identify the Correct Statement:

- a. Financial transactions relate to international sale and purchase of real assets.
- b. Balance of payments records transactions related to goods only.
- c. Accommodating items are meant to restore BoP balance.
- d. Increase in the official reserves is indicated by a positive sign in the BoP accounts.

53. Assertion (A). 'Indians Investing in assets abroad will be recorded under debit side of capital account in Balance of Payments.  
Reason (R). Indians investing in assets abroad will lead to an outflow of foreign currency, it will be recorded under debit side of capital account in balance of payments.  
Read the following statements-Assertion (A) and Reason (R), and select the correct alternative in each cases.

- (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 (RI is riot the correct explanation of Assertion (A)
- (c) Assertion (A) is true but Reason (R) false.
- (d) Assertion (A) is false but Reason (R) is true.

54. Assertion (A) : Fiscal deficit is greater than budgetary deficit.  
Reason (R) : Fiscal deficit is the borrowing from the Reserve Bank of India plus other liabilities of the Government to meet its expenditure.

- (a) Both A and R are true and R is the correct explanation of A
- (b) Both A and R are true but R is not a correct explanation of A
- (c) A is true but R is false
- (d) A is false but R is true

	<p><b>Read the given excerpt and answer the following questions:</b></p> <p>As Goods &amp; Services Tax completes four years of its implementation, the words of our former Finance Minister, Arun Jaitley, in the Parliament’s Central Hall on the midnight of 30 June 2017 still reverberates afresh in our ears “The goods and service tax may be a destination tax, but for India it will begin an altogether new journey...”. Indeed, for India, a completely new journey commenced on July 1, 2017 with goods and services tax, being touted as one of the biggest economic reforms of independent India, which set sail in the country after a decade of deliberations. The voyage of four years has been a roller-coaster ride for all stakeholders with equitable share of hits, misses and expectations. Besides removing the cascading effect of taxation, one of the biggest hits in the journey of GST has been the pursuit towards achieving an automated indirect tax ecosystem. From electronic compliances, generation of e-invoices to tracking movement of goods through e-waybill, everything is sought to be run online. E-invoicing system is not only aimed at weeding out the rampant menace of fake invoicing, but would also usher the taxpayers into a fully automated compliance regime wherein the computation of tax liabilities and matching of input tax credit would become very simple. This is no mean feat and not many countries in the world have attempted or been able to achieve the implementation of such a large scale and complex digital tax transformation project.</p>
55.	<p>Goods and Services Tax Act, 2016, which came into effect from July 2017, is expected to: (Choose the correct alternative)</p> <p>a) generate additional revenue for the government.  b) reduce tax evasion.  c) create ‘one nation, one tax and one market’  d) All of the above</p>
57.	<p>GST is a ..... based tax structure.</p> <p>a) Destination based/ consumption based  b) Production based  c) Both a &amp; b.  d) None of the above</p>
58.	<p>Read the following statements—Assertion (A) and Reason (R). Choose one of the correct alternatives given below:</p> <p><b>Assertion:</b> The parliament passed a law, Goods and Service tax act 2016, to simplify and introduce a unified indirect tax system in India.</p> <p><b>Reason:</b> This is expected to generate additional revenue for the government, reduce tax evasion and create ‘One nation, one tax and one market’</p> <p>(a) Assertion and Reason both are correct statements and Reason is correct explanation for Assertion.  (b) Assertion and Reason both are correct statements but Reason is not correct explanation for Assertion.  (c) Assertion is true but Reason is false.  (d) Assertion is false but Reason is true.</p>

59.	<p>Read the following statements—Assertion (A) and Reason (R). Choose one of the correct alternatives given below:</p> <p><b>Assertion:</b> GST is applicable throughout the country with one rate for all types of goods/services.</p> <p><b>Reason:</b> GST is applicable throughout the country with one rate for one type of goods/service.</p> <p>(a) Assertion and Reason both are correct statements and Reason is correct explanation for Assertion.</p> <p>(b) Assertion and Reason both are correct statements but Reason is not correct explanation for Assertion.</p> <p>(c) Assertion is true but Reason is false.</p> <p>(d) Assertion is false but Reason is true.</p>
60.	<p>Which state taxes have been subsumed under GST.</p> <p>a) VAT</p> <p>b) Octroi</p> <p>c) Custom duty</p> <p>d) Both a &amp; b.</p>