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INDIAN SCHOOL SALALAH
FIRST TERM EXAMINATION – SEPTEMBER 2026



ECONOMICS (30)

Class: XII

DATE:22/09/2026

Time: 3 hours

Maximum Marks: 80

GENERAL INSTRUCTIONS:

Read the following instructions very carefully and strictly follow them:

1. This question paper comprises two sections –A and B. All questions are compulsory.
2. Questions 1-10 and 18-27 are very short-answer questions carrying 1 mark each. They are required to be answered in one word or one sentence each.
3. Question numbers 11-12 and 28-29 are short-answer questions carrying 3 marks each. Answers them should not normally exceed 60-80 words each.
4. Questions numbers 13-15 and 30-32 are also short-answer questions carrying 4 marks each. Answers to them should not normally exceed 80-100 words each.
5. Questions numbers 16-17 and 33-34 are long answer questions carrying 6 marks each. Answers to them should not normally exceed 100-150 words each.
6. Answers should be brief and to the point. Also, the above word limit be adhered to as far as possible.

	PART-A	
1	In a two-sector economy, the flow of factor payments moves from _____ to _____. (Choose the correct option to fill in the blanks) (A) firms, households (B) firms, government (C) banks, households (D) households, firms	1
2	Read the following statements carefully: Statement I: The measurement of value makes it easier to compare the relative worth of two commodities.	1

	Statement II: Money facilitates the act of sale and purchase of goods and services. In the light of the given statements, choose the correct option from the following: (A) Statement I is true and Statement II is false. (B) Statement I is false and Statement II is true. (C) Both Statements I and II are true. (D) Both Statements I and II are false.	
3	Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those given below: Assertion (A): Government can control the situation of deficient demand through its taxation policy. Reason (R): Reduction in tax rates by the government leads to increase in the disposable income of the people. 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.	1
4	Read the following statements carefully: Statement I: Positive externalities refer to the benefits a firm/an individual provides to another for which they are paid. Statement II: In case of positive externalities, Gross Domestic Product (GDP) of an economy might lead to an overestimation of the actual welfare. In the light of the given statements, choose the correct option from the following: (A) Statement I is true and Statement II is false. (B) Statement I is false and Statement II is true. (C) Both Statements I and II are true. (D) Both Statements I and II are false.	1
5	In an economy, when _____ is insufficient to achieve the level of output corresponding to the full employment, the difference is termed a deflationary gap.	1

	(Choose the correct option to fill in the blank) Options: (A) ex-ante Aggregate Demand (B) ex-post Aggregate Demand (C) ex-ante Aggregate Supply (D) ex-post Aggregate Supply	
6	Income generated from Aircrafts of Air India operating between Canada and England would be added to the domestic income (NDPFC) of _____. (Choose the correct option to fill in the blank) Options: (A) Canada (B) England (C) Both Canada and England (D) India	1
7	Identify, that function of money, which has effectively solved the problem of 'double coincidence of wants' in a transaction. Options: (A) Standard of deferred payments (B) Store of value (C) Measure of value (D) Medium of exchange	1
8	If the value of Marginal Propensity to Consume (MPC) is 0.6 and dissaving's are 100, the relevant saving function would be: (Choose the correct option) Options: (A) $S = -100 + 0.6Y$ (B) $S = 100 + 0.6Y$ (C) $S = -100 + 0.4Y$ (D) $S = -100 - 0.4Y$	1
9	"In the Indian Banking System, the Statutory Liquidity Ratio (SLR) plays a vital role in controlling the credit creation capacity of the Commercial Banks, as it _____." (Choose the correct option to fill in the blank) (A) ensures that all the deposits are converted into liquid assets. (B) requires banks to maintain a percentage of deposits in the form of liquid assets. (C) sets the maximum interest rate which the banks can charge on loans. (D) promote banks from lending beyond a specific proportion of their total reserves.	1

10	----- refers to that consumption, which is independent of the level of income. (Choose the correct option to fill in the blank) (A) Autonomous Consumption (B) Induced Consumption (C) Break-even level (D) Autonomous Investment and Consumption	1																					
11	Calculate Net Value Added at Factor Cost (NVAFC) from the following data: <table border="1"> <thead> <tr> <th>S. No.</th><th>Particulars</th><th>Amount (in ₹ lakh)</th></tr> </thead> <tbody> <tr> <td>(i)</td><td>Fixed capital goods (Expected life span - 5 years)</td><td>15</td></tr> <tr> <td>(ii)</td><td>Domestic Sales</td><td>200</td></tr> <tr> <td>(iii)</td><td>Change in stock</td><td>(-) 10</td></tr> <tr> <td>(iv)</td><td>Exports</td><td>10</td></tr> <tr> <td>(v)</td><td>Single use producer goods</td><td>120</td></tr> <tr> <td>(vi)</td><td>Net indirect taxes</td><td>20</td></tr> </tbody> </table> Or Explain any two precautions to be kept in mind while estimating National Income by the Value-Added method.	S. No.	Particulars	Amount (in ₹ lakh)	(i)	Fixed capital goods (Expected life span - 5 years)	15	(ii)	Domestic Sales	200	(iii)	Change in stock	(-) 10	(iv)	Exports	10	(v)	Single use producer goods	120	(vi)	Net indirect taxes	20	3
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12	“The Reserve Bank of India (RBI) is the sole authority for issuing currency notes in India, with an exception of ₹1 denomination that is issued by the Ministry of Finance.” Do you agree with the given statement? Explain the rationale behind the monopoly enjoyed by the Reserve Bank of India (RBI) on this front.	3																					
13	Differentiate between the two types of tax revenue sources of the government.	4																					
14	‘Government Budget can be a useful instrument in reducing inequalities in the distribution of income and wealth in an economy.’ Do you agree with the given statement? Present valid arguments in favour of your answer. or Distinguish between ‘fiscal deficit’ and ‘revenue deficit’.	4																					
15	(a) State the meaning of ‘unintended accumulation of inventories. (b) In an economy, Aggregate Demand (AD) is more than Aggregate Supply (AS).” Elaborate the possible impacts of the same, on the level of output, income and employment	1 3																					
16	(i) “In a two-sector economy, National Income is always less than Domestic income.” Defend or refute the given statement with valid reasons. (ii) Gauhar, has recently completed her fashion designing studies and started a boutique. To produce dresses for sale, she purchased various materials, including a	2 4																					

	sewing machine, fabric, buttons and thread. These items are essential for producing the dresses. Classify the material purchased by Gauhar as Final or Intermediate goods, giving valid reasons in support of the classifications. Or (i) Distinguish between Stock and flow variables, using suitable examples. (ii) Explain the components of 'Profit' as per Income Method of estimating National Income (NNPFC).	3 3
17	(i) In an economy; $C = 200 + 0.75 Y$ (where C is consumption expenditure and Y is National Income). Investment expenditure is ₹ 4,000 Crore. Calculate the following: (a) Equilibrium level of income. (b) Total consumption expenditure at equilibrium income level. (ii) Explain fiscal policy measures used to control inflation	3 3
	PART-B	
18	Read the following statements carefully: Statement 1: During the British rule in India, the export surplus was utilised to import of invisible items from Britain. Statement 2: Indians paid for the expenses incurred by an office set up by the colonial government in Britain. In the light of above 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.	1
19	Human Development is based on the idea that _____ and _____ are integral to human wellbeing. (Choose the correct option to fill in the blanks) (A) Education, Wealth (B) Health, Wealth (C) Education, Health (D) Health, Housing	1
20	Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those given below: Read them carefully and select the correct option: Assertion (A): The unemployment problem in India is multifaceted. Reason (R): Some individuals work round the year, while others work only a few months in a year. 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.	1

	(D) Assertion (A) is false, but Reason (R) is true.											
21	Which of the following is not an advantage of Green Revolution? (A) Increased marketed surplus (B) Increase in prices of food grains (C) Self-sufficiency in food grains (D) Creation of buffer stock	1										
22	Minimum Support Price is fixed by the Government to safeguard the interests of the _____. (Choose the correct option to fill in the blank) Options: (A) Consumers (B) Farmers (C) Wholesalers (D) Middlemen	1										
23	From the terms given below in Column-I and Column-II, choose the correct pair of statements: <table border="1"> <thead> <tr> <th>Column-I</th> <th>Column-II</th> </tr> </thead> <tbody> <tr> <td>(i) Subsidies</td> <td>(a) Maximum quantity of goods that can be imported</td> </tr> <tr> <td>(ii) Land ceiling</td> <td>(b) Element of IPR 1956</td> </tr> <tr> <td>(iii) Small Scale Industries</td> <td>(c) Land to the tiller</td> </tr> <tr> <td>(iv) Modernisation as a goal</td> <td>(d) Change in social outlook of five- year plan</td> </tr> </tbody> </table> Options: (A) (i) – (a) (B) (ii) – (b) (C) (iii) – (c) (D) (iv) – (d)	Column-I	Column-II	(i) Subsidies	(a) Maximum quantity of goods that can be imported	(ii) Land ceiling	(b) Element of IPR 1956	(iii) Small Scale Industries	(c) Land to the tiller	(iv) Modernisation as a goal	(d) Change in social outlook of five- year plan	1
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24	Read the following statements- Assertion (A) and Reason (R). Choose the correct alternative given below: Assertion (A): World Trade Organization (WTO) is expected to establish the rule-based trading regime, to avoid unilaterally placed arbitrary restrictions by member nations. Reason (R): It is imperative to enlarge world production and ensure optimum utilization of world resources along with environmental protection. Alternatives: (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.	1										
25	Under the British Rule, commercialization of agriculture resulted in shifting of agricultural production from _____ crops to _____ crops. (Fill up the blanks with correct alternative.)	1										

	(A) Cash, Food (B) Cotton, Jute (C) Food, Cash (D) Jute, Food	
26	-----farming is a system that is helpful in restoring, maintaining and enhancing the ecological balance. (Choose the correct alternative to fill in the blank.) (A) Multi layered (B) Chemical (C) Organic (D) Conventional	1
27	The scheme of 'Micro Finance' is extended through _____ credit provision. (Fill up the blank with correct alternative.) (A) Self-help groups (B) Land Development Banks (C) Regional Rural Banks (D) Commercial Banks	1
28	Read the following text carefully and answer the questions given below: "It is an arrangement in which a firm hires some specialized firm(s) to carry out some of its activities (which were earlier being performed by itself). These service hirings could be from local / international markets." (i) Identify the indicated outcome of the globalisation process. (ii) State any two factors responsible for making India as an important source of these activities Or Describe briefly the rationale behind choosing 'Self-reliance' as a planning objective for the Indian economy.	1 2 3
29	"During the colonial period, the occupational structure showed lopsided movements." Do you agree with the given statement? Justify your answer with valid arguments.	3
30	Define worker - population ratio and describe its usefulness. Or Elaborate the need to promote women's education in India.	4 4
31	(i) Define 'Human Capital Formation'. (ii) Explain 'Expenditure on migration' as a source of human capital formation.	1 3
32	"The Industrial Policy Resolution (IPR), 1956 classified all the industries based on state ownership and control in various categories." Do you agree with the above statement? Give valid reasons in support of your answer.	4
33	Read the following text carefully: The Union Budget 2025-26 proposed a significant package for rural India allocating ₹ 1.88 lakh crore to drive comprehensive development. The budget emphasises on boosting employment, women employment, education and infrastructure in rural areas, reflecting the governments' commitment	

	for a stronger, self-reliant rural economy. The extension of Jal-Jeevan Mission until 2028, with focus on achieving 100% rural water supply coverage and enhancing infrastructure maintenance. Broadband connectivity is set to expand under the Bharatnet project, providing internet access to all rural government secondary schools and primary health care centres. Also, the budget highlights major rural schemes like the Pradhan Mantri Gram Sadak Yojana which has provided all-weather roads to rural areas. The Pradhan Mantri Grameen Awaas Yojana, which has delivered housing to economically weaker sections. The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) continues to secure rural livelihoods with an allocation of ₹ 86,000 crore in FY 2024-25. On the basis of the above text and common understanding, answer the following questions: (i) Explain the significance of rural development. (ii) Discuss any two policies initiated by government of India for rural development.	3 3
34	Elaborate how the economic reforms process of India impacted the following: (a) Agriculture sector (b) Industrial sector Or “Every coin has two sides - debate over farm subsidies is one such classic example of the same.” Justify the given statement with three arguments each in favour of and against the continuation of the farm subsidies.	3 3 6