

# **GATEWAY**

## **EDUCATION**

Delhi-NCR, Sonipat

- Mock Test
- Notes
- Assignments
- Career Counseling
- How to Select Perfect Course/College after 12th?

# **MOCK TEST-2**

## **Class XII**

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# **ECONOMICS**



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**Class - XII<sup>TH</sup> ECONOMICS**

**MOCK EXAMS**

**Serial Number: 2**

**Time: 3 Hours**

**Maximum Marks: 80**

**Exam Date: \_\_\_\_\_**

**General Instructions :**

1. This question paper contains two sections : Section A – Macro Economics  
Section B – Indian Economic Development
2. This paper contains 20 Multiple Choice Type Questions of 1 mark each.
3. This paper contains 4 Short Answer Type Questions of 3 marks each to be answered in 60 to 80 words.
4. This paper contains 6 Short Answer Type Questions of 4 marks each to be answered in 80 to 100 words.
5. This paper contains 4 Long Answer Type Questions of 6 marks each to be answered in 100 to 150 words.

## SECTION-A - MACRO ECONOMICS

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

**Assertion (A):** The Reserve Bank of India (RBI) acts as the lender of last resort for commercial banks.

**Reason (R):** The RBI provides liquidity to commercial banks by purchasing government securities in the open market when they face a shortage of funds.

Choose the correct option from those given below:

- (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
- (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
- (C) Assertion (A) is true, but Reason (R) is false.
- (D) Assertion (A) is false, but Reason (R) is true.

**2. “In an economy, the Marginal Propensity to Consume (MPC) is calculated to be 0.8. This implies that for every additional rupee earned, consumers are spending 80 paise and saving the remaining amount.”**

**What is the value of the Marginal Propensity to Save (MPS) in this economy?**

- (A) 0.2
- (B) 0.8
- (C) 1
- (D) 0

**3. Expenditure incurred by the government on subsidies provided to the public is classified as**

**\_\_\_\_\_ expenditure, as it does not result in the creation of assets. Choose the correct option to fill in the blank.**

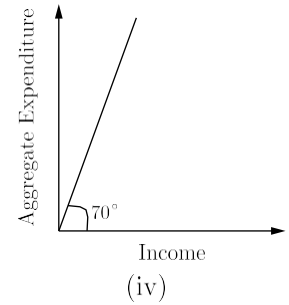
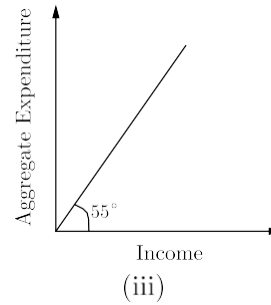
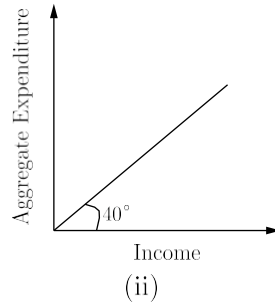
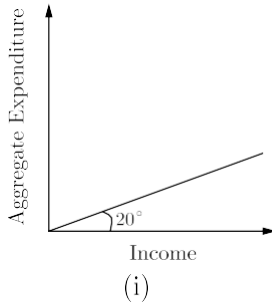
- (A) Revenue
- (B) Capital
- (C) Development
- (D) Non-development

**4. In the balance of payments account, foreign investments are recorded in the \_\_\_\_\_ account.**

**Choose the correct option to fill in the blank.**

- (A) Current
- (B) Capital
- (C) Trade
- (D) Invisibl

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



(B) (iii)

(B) (ii)

(C) (iv)

(D) (i)

5. When the Reserve Bank of India wants to reduce the money supply in the economy, it can \_\_\_\_\_ the Repo Rate.

Choose the correct option to fill in the blank.

(A) Decrease

(B) Increase

(C) Stabilize

(D) Eliminate

6. Read the following statements carefully:

**Statement 1:** The investment multiplier indicates the ratio of the change in national income to the initial change in investment, showing how initial spending leads to a multiplied impact on income through induced consumption.

**Statement 2:** A higher Marginal Propensity to Consume (MPC) results in a lower value of the investment multiplier, as consumers save a larger proportion of additional income, reducing the multiplier effect.

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

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

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

(C) Both Statements 1 and 2 are false.

(D) Both Statements 1 and 2 are true.

7. Expenditures by the government that result in the creation of assets or reduction of liabilities are classified as \_ expenditure in the government budget.

Choose the correct option to fill in the blank.

(A) Revenue

(B) Capital

(C) Current

(D) Transfer

8. Read the following statements carefully:

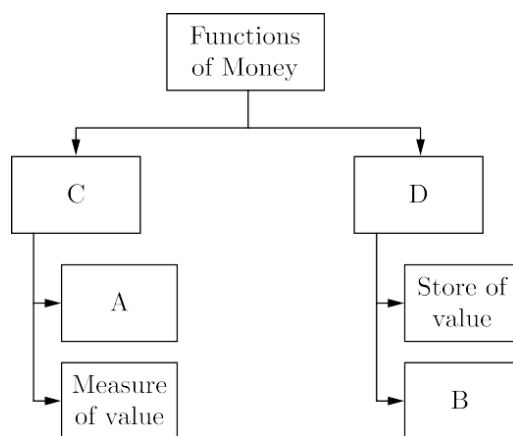
**Statement 1:** A managed floating exchange rate system combines elements of both fixed and flexible exchange rates, where the currency is allowed to fluctuate within a certain range, and the central bank intervenes to prevent excessive volatility.

**Statement 2:** Under this system, the central bank does not hold any foreign exchange reserves because it does not need to intervene in the foreign exchange market.

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

- (A) Both Statements 1 and 2 are false.
- (B) Statement 1 is true and Statement 2 is false.
- (C) Both Statements 1 and 2 are true.
- (D) Statement 1 is false and Statement 2 is true.

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



Alternatives:

- (A) A : Medium of Exchange; B : Standard of Deferred Payment; C : Secondary Functions; Functions
- (B) A : Standard of Deferred Payment; B : Medium of Exchange; C : Primary Functions; D Functions
- (C) A : Standard of Deferred Payment; B : Medium of Exchange; C : Secondary Functions; Functions
- (D) A : Medium of Exchange; B : Standard of Deferred Payment; C : Primary Functions; D Functions

**10. Study the given information carefully**

<b>Union Budget of India at a glance (in ` crore)</b>		<b>2014-15</b>
(i)	Tax Revenue (net to centre)	9,86,417
(ii)	Non-Tax Revenue	1,80,714
(iii)	Capital Receipts	5,96,083
(iv)	Recoveries of Loans	10,527
(v)	Other Receipts	56,925
(vi)	Borrowing and Other Liabilities	5,28,631
(vii)	Non-plan Expenditure on Revenue Account	11,07,781
(viii)	Of which, Interest Payment	4,27,011
(ix)	Non-Plan Expenditure on Capital Account	1,00,111
(x)	Plan Expenditure on Revenue Account	4,42,273
(xi)	Plan Expenditure on Capital Account	1,13,049
(xii)	National GDP	1,28,39,952
(xiii)	Plan Expenditure of GDP Ratio	A

What is value of 'A' is equal ?

**11. State giving valid reasons, whether the following statements are true or false:**

- (a) Current account is a part of Balance of Trade.
- (b) External assistance is recorded in Balance of Payments account.

OR

Distinguish between fixed exchange rate and flexible exchange rate.

- 12.** (a) Define money.  
(b) Explain the process of deposit creation by a commercial bank, using an hypothetical example.

- 13.** In an economy, the consumption function is given as  $C = 100 + 0.5 Y$ . Show that in this economy as income increases, APC will decrease with the help of a numerical example.

OR

- (a) Define 'Investment Multiplier' and give its relationship with MPS.
- (b) Define 'Involuntary unemployment'. Is it taken into account while determining the labour force of the country?

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

“Currency is issued by the central bank, yet we say that commercial banks create money”. Explain. How is this money creation by commercial banks likely to affect the national income?

15. Read the following text carefully

The government budget is a powerful tool for economic management, influencing resource distribution and ensuring financial stability. By utilizing instruments like taxes, subsidies, and public expenditure, the government can prioritize sectors, address economic disparities, and support developmental goals. Effective budgeting ensures a balance between short-term needs and long-term growth.

- (a) Elaborate how the “allocation of resources” can be influenced in the government budget through taxes, expenditure and subsidies.
- (b) Giving reason, classify the following items as revenue expenditure and capital expenditure:
  - (i) Subsidies
  - (ii) Repayment of Loan

16. (a) On the basis of given table, comment on the performance of Gross Fixed Capital Formation as a measure of Investment.

Components	2019-20 (1st RE)	2020-21 (PE)	2021-22 (1st AE)	Recovery over 2019-20
Total Consumption	5.9	-7.3	7.0	99.2
Government Consumption	7.9	2.9	7.6	110.7
Private Consumption	5.5	-9.1	6.9	97.1
Gross Fixed Capital Formation	5.4	-10.8	15.0	102.6
Exports	-3.3	-4.7	16.5	111.1
Imports	-0.8	-13.6	29.4	111.8
GDP	4.0	-7.3	9.2	101.3

Note: RE - Revised Estimates, PE - Provisional Estimates, AE - Advance Estimates

- (b) ‘Should payment for which no service is rendered in return’ be included/excluded in the estimation of national income. State with valid reason.

OR

Suppose GDP of Nation C was `4,000 crores in 2018-19, when GDP of Nation D in the same year was ` 2,40,000 crores. If GDP of Nation C rises to `8,000 crores in 2019-20 and GDP of nation D rises to `4,00,000 crores in 2019-20.

Compare the rate of change of GDP of nations C and D taking 2018-19 as the base year.



## SECTION-B - INDIAN ECONOMIC DEVELOPMENT

17. Which adverse effect of unemployment is being depicted in the picture below?



- (A) Loss of output  
(B) Low productivity  
(C) Increase in inequalities  
(D) Depression
18. Read the following statements carefully:  
**Statement 1:** India's economic growth since independence has been faster than that of Pakistan.  
**Statement 2:** Population growth rates have been a major factor influencing the economic development of India and its neighbors.  
In light of the given statements, choose the correct option from the following:  
(A) Statement 1 is true and Statement 2 is false.  
(B) Statement 1 is false and Statement 2 is true.  
(C) Both Statements 1 and 2 are true.  
(D) Both Statements 1 and 2 are false.
19. Read the following statements carefully: Assertion (A) and Reason (R). Choose the correct option from those given below:  
**Assertion (A):** The British colonial rule led to the deindustrialization of India's indigenous industries.  
**Reason (R):** The import of British manufactured goods suppressed the growth of local industries in India.
- 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.

20. From 1950 to 1990, the Indian Five Year Plans emphasized the development of \_\_\_\_\_ and \_\_\_\_\_ to achieve balanced economic growth and self-reliance.

Choose the correct option to fill up the blank.

- (A) large-scale industries; foreign trade
- (B) agriculture; small-scale industries
- (C) services; infrastructure
- (D) technology; foreign investment

21. Which of the following was NOT a feature of the LPG (Liberalisation, Privatisation, Globalisation) policy?

Which of the following is/are correct ?

- (i) Deregulation of industries
- (ii) Reduction of import tariffs
- (iii) Nationalization of banks
- (iv) Encouragement of foreign investment

Option :

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

22. Which of the following are considered sources of human capital?

Which of the following is correct ?

- (A) Natural resources and capital goods
- (B) Education and health
- (C) Infrastructure and technology
- (D) Foreign investment and trade

23. Identify which of the following are key issues in rural credit systems in India.

Which of the following is correct ?

- (A) Limited access to credit and high interest rates
- (B) Abundance of credit facilities and low interest rates
- (C) Excessive formal banking presence
- (D) Overregulation of credit markets

24. Which of the following are characteristics of informal employment in India?

Which of the following is correct ?

- (A) Job security and regular wages
- (B) Lack of formal contracts and benefits
- (C) High levels of social security
- (D) Formal working hours

25. “China has achieved remarkable economic growth due to early reforms in agriculture and industry, export-led growth strategies, and significant investment in human capital. Its model differs from India and Pakistan in terms of the pace and sequencing of economic reforms.” Which factor significantly contributed to China’s rapid economic growth compared to India and Pakistan?
- (A) Late implementation of economic reforms
  - (B) Focus on import substitution and protectionism
  - (C) Early and phased economic reforms with a focus on exports
  - (D) Minimal investment in education and health sectors
26. Identify which of the following factors significantly contributed to the low level of economic development in India on the eve of independence. Which of the following is correct ?
- (A) High dependency on agriculture with minimal industrial growth
  - (B) Extensive industrialization and technological advancements
  - (C) Strong domestic market supporting local industries
  - (D) Well-developed transportation and communication infrastructure across the country
27. “The traditional handicraft industries were ruined under the British rule.” Accept/Refute the above statement by giving reasons.

OR

Were there any positive contributions made by the British in India? Discuss.

28. Interpret the given picture on account of current environmental challenges.



29. State, giving valid reasons, whether the following statements are true or false:
- Unemployment is the reason for the rural-urban migration in India.
  - Human capital formation gives birth to innovation, invention and technological improvements.
30. Explain the role of non-farm employment in promoting rural diversification.

OR

Explain the steps taken by the government in developing rural markets.

31. Compare and analyse the given data of India and China with valid arguments.

Country	Annual Growth Rate of Population (2015)	Gender Ratio (per 1000 males)
India	1.2%	929
China	0.5%	941

32. (a) 'The Indian government has been taking steps for human capital formation, yet human capital formation facing problems.' Explain any three such problems of human capital formation.
- (b) 'Education Commission 1964-66 had recommended that at least 6 per cent of GDP must be spent on education.' How far India has been able to achieve the said goal?

OR

Critically evaluate the role of the rural banking system in the process of rural development in India.

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

The cotton textile industry is one of the traditional industries of India. In the ancient and the medieval times, it used to be only a cottage industry. India was famous worldwide for the production of muslin, a very fine variety of cotton cloth, calicos, chintz and other different varieties of fine cotton cloth. The development of this industry in India was due to several factors. One, it is a tropical country and cotton is the most comfortable fabric for a hot and humid climate. Second, large quantity of cotton was grown in India. Abundant skilled labour required for this industry was available in this country. In fact, in some areas the people were producing cotton textiles for generations and transferred the skill from one generation to the other and in the process perfected their skills. Initially, the British did not encourage the development of the indigenous cotton textile industry. They exported raw cotton to their mills in Manchester and Liverpool and brought back the finished products to be sold in India. This cloth was cheaper because it was produced at mass scale in factories in UK as compared to the cottage based industries of India.

In 1854, the first modern cotton mill was established in Mumbai. This city had several advantages as a cotton textile manufacturing centre. It was very close to the cotton producing areas of Gujarat and Maharashtra. Raw cotton used to be brought to Mumbai port to be transported to England. Therefore, cotton was available in Mumbai city itself. Moreover, Mumbai even then was the financial centre and the capital needed to start an industry was available there. As a large town, providing employment opportunities attracted labour in large numbers. Hence, cheap and abundant labour too was available locally. The machinery required for a cotton textile mill could be directly imported from England. Subsequently, two more mills, the Shahpur Mill and the Calico Mill were established in Ahmedabad. By 1947, the number of mills in India went up to 423 but the scenario changed after partition, and this industry suffered a major recession. This was due to the fact that the most of the good quality cotton growing areas had gone to West Pakistan and India was left with 409 mills and only 29 per cent of the cotton producing area.

- (a) Where were cotton textile industries mainly located in India? How their location and ownership was different from that of Jute textile industries?
- (b) Why were cotton textile mills mainly located in western parts of the country (specially Mumbai) only?

□□□□□□

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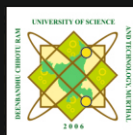
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