# CBSE EXAMINATION PAPER-2026

## ECONOMICS

### (Solved)

Time allowed : 3 hours | Maximum Marks : 108

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**General Instructions :**

Read the following instructions carefully and follow them :

i. This question paper contains **42 questions.** All questions are **compulsory.**

ii. This question paper is divided into **4 sections.**

iii. **Section A** – questions number **1 to 22** are multiple choice questions

iv. **Section B** – questions number **23 to 28** are short answer type i

v. **Section C** – questions number **29 to 36** are short answer type ii

vi. **Section D** – questions number **37 to 42** are long answer

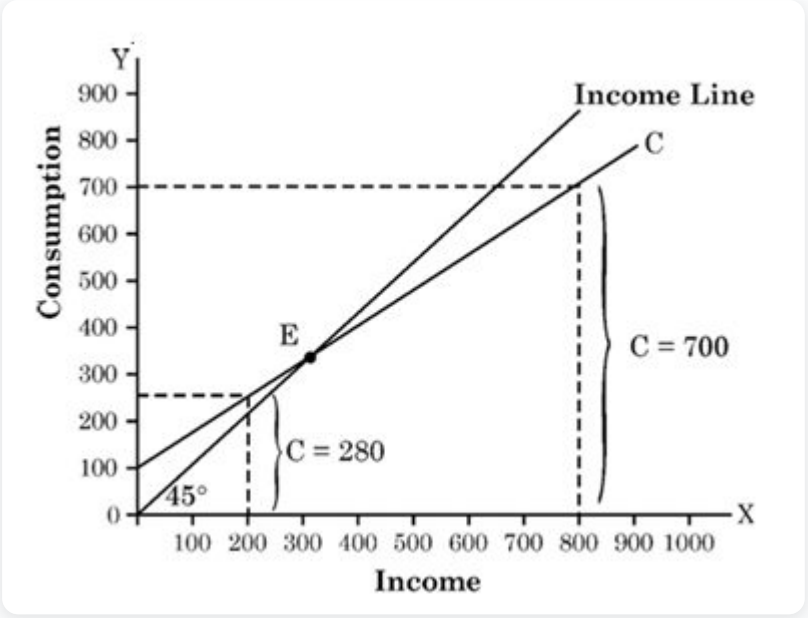
vii. There is no overall choice given in the question paper. However, an internal choice has been provided in few questions.

viii. Use of calculator is NOT allowed.

## Section A

**Question 1.** Choose the correct consumption function from the options given below with reference to the illustrated given diagram.

[1 Marks]




(A) C = 100 – 0.8Y

(B) C = 100 + 0.7Y

(C) C = 100 + 0.8Y

(D) C = 100 – 0.7Y

**Question 2.**

Choose the correct consumption function from the options given below with reference to the illustrated given diagram.

If the value of Marginal Propensity to Consume (MPC) is 0.6 and dissaving's are 100, the relevant saving function would be :

[1 Marks]

(A) S = 100 + 0.6Y

(B) S = – 100 + 0.6Y

(C) S = – 100 – 0.4Y

(D) S = – 100 + 0.4Y

**Question 3.**

Income generated from Aircrafts of Air India operating between Canada and England would be added to the domestic income (NDP_ FC) of _____.

[1 Marks]

(A) India

(B) Both Canada and England

(C) England

(D) Canada

**Question 4.**

Identify, that function of money, which has effectively solved the problem of ‘double coincidence of wants’ in a transaction.

[1 Marks]

(A) Store of value

(B) Measure of value

(C) Medium of exchange

(D) Standard of deferred payments

**Question 5.**

Read the following statements carefully :

Statement 1 : Under the flexible exchange rate system, a deficit / surplus in the Balance of Payments is automatically corrected.

Statement 2 : Under the flexible exchange rate system, there is always a possibility of over/under valuation of currency.

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

[1 Marks]

(A) Both Statements 1 and 2 are true

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

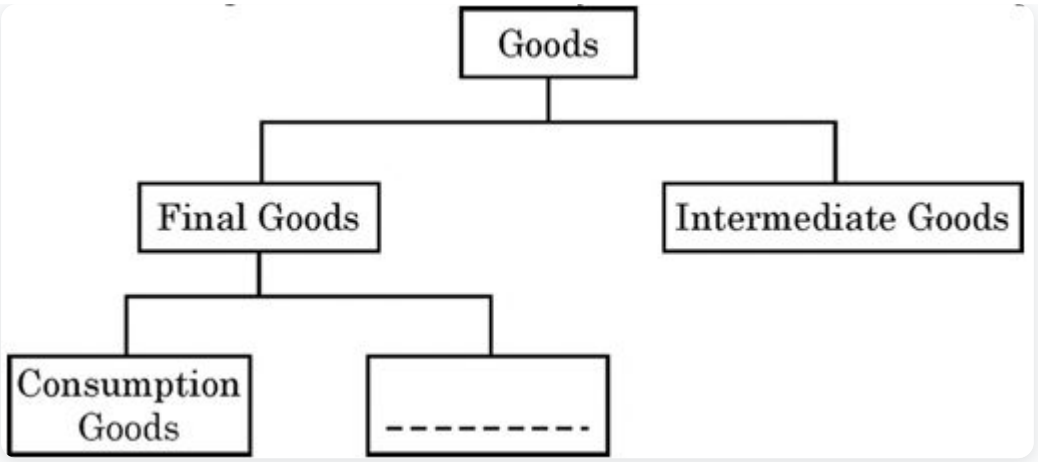
(C) Statement 1 is false and Statement 2 is true

(D) Both Statements 1 and 2 are false.

**Question 6.**

Read the following Flow chart carefully and choose the correct option :

[1 Marks]




(A) Semi-durable goods

(B) Transfer goods

(C) Capital goods

(D) Non-durable goods

**Question 7.**

The Aggregate Demand (AD) curve lies parallel to consumption curve, indicating that both have _____.(Choose the correct option to fill in the blank)

[1 Marks]

(A) same components

(B) different slope

(C) same slope

(D) inverse relationship

**Question 8.**

Statement 1 : Brokerage earned by a dealer of second hand cars is included in the estimation of National Income. Statement 2 : Imputed value of production for self-consumption is included in National Income. In the light of the above given statements, choose the correct option from the following :

[1 Marks]

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

(B) Both Statements 1 and 2 are false.

(C) Both Statements 1 and 2 are true.

(D) Statement 1 is true and Statement 2 is false

**Question 9.**

Sumit deposited ₹10 lakh in his savings account. The deposits made by him is a part of _____ in the $M_1$ measure of money supply.

[1 Marks]

(A) Demand deposits with commercial banks

(B) Term deposits with Reserve Bank of India (RBI)

(C) Interbank deposits

(D) Currency held by public

**Question 10.**

Read the following statements – Assertion (A) and Reason (R). Choose the

correct option from those given below :

Assertion (A) : Increase in exchange rate implies that the price of foreign currency in terms of domestic currency has increased. Reason (R) : Balance of trade records the inflows and outflows of foreign exchange.

[1 Marks]

(A) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(B) Assertion (A) is true, but Reason (R) is false.

(C) Assertion (A) is false, but Reason (R) is true.

(D) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

**Question 11.**

Identify, which one of the following is not a function of Reserve Bank of India as a bank, agent and advisor to the government.

[1 Marks]

(A) Conducts periodic inspections.

(B) Advises on financial matters.

(C) Manages national debt.

(D) Carries out banking business of the government

**Question 12.**

“In the formative stages of reforms development of credit markets, administrative intervention in interest rates is both necessary and desirable.”

Identify the sector under which the aforesaid reform was introduced.

[1 Marks]

(A) Tax reforms

(B) Financial sector reforms

(C) Industrial sector reforms

(D) Foreign sector reforms

**Question 13.**

Assertion (A) : The dynamic sub-sectors like agro-processing industries, food processing industries, etc. have potential to create alternative employment opportunities. Reason (R) : Men usually seek non-farm jobs, but recently, women have also started looking for such jobs.

[1 Marks]

(A) Assertion (A) is true, but Reason (R) is false.

(B) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

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

(D) Assertion (A) is false, but Reason (R) is true.

**Question 14.**

The steep Indian education pyramid indicates _____.

[1 Marks]

(A) few/less number of people reaching higher education

(B) equal distribution of students across all levels

(C) low unemployment among educated youth

(D) increase in number of people reaching higher education

**Question 15.**

_____ estimates India's national and per capita income during the colonial era was considered very significant. (Choose the correct option to fill in the blank)

[1 Marks]

(A) R.C. Desai

(B) Findlay Shirras

(C) V.K.R.V. Rao

(D) William Digby

**Question 16.**

From the types of unemployment/employment given in Column-I and corresponding features given in Column-II, choose the correct pair :

[1 Marks]

| | Column – I | | Column – II |
|---|---|---|---|
| (i) | Disguised Unemployment | (a) | Concentrated to a given season |
| (ii) | Seasonal Unemployment | (b) | Marginal productivity is zero |
| (iii) | Indirect employment by government | (c) | Indian Railways |
| (iv) | Direct employment by government | (d) | Indian Oil Corporation (IOC) |

(A) (ii) - (b)

(B) (i) - (a)

(C) (iii) - (c)

(D) (iv) - (d)

**Question 17.** Growth of rural economy depends primarily on infusion of _____ to realise higher productivity in agricultural and non-agricultural sectors. (Choose the correct option to fill in the blank

[1 Marks]

(A) Capital

(B) Outsourcing

(C) Green status

(D) Road Construction

**Question 18.**

Identify that strategy given in the image that can be utilised for sustainable development.

[1 Marks]



(A) Non-conventional source of energy

(B) Gobar Gas in rural areas

(C) Wind power

(D) CNG in urban areas

**Question 19.**

If a nation fails to enforce the regulations of the Montreal Protocol, the likely long term environmental and biological consequence of this will be _____.

(i) Rapid deforestation

(ii) Increased possibility of skin cancer

(iii) Greenhouse effect causing rise in global temperature

(iv) Possibility of acid rain

[1 Marks]

(A) Only(i)

(B) (i) and (iii)

(C) (i) and (iv)

(D) (ii), (iii) and (iv)

**Question 20.**

Read the following statements carefully :

Statement 1 : The option for producing off-season crops are quite restricted in organic farming.
Statement 2 : Organic agriculture helps in substituting costlier agricultural inputs with locally produced organic inputs.

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

[1 Marks]

(A) Both statements 1 and 2 are true.

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

(C) Both statements 1 and 2 are false

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

**Question 21.** China adopted _____ strategy in which farmers and industries bought and sold certain quantities at government fixed prices, while remaining transactions occurred at market prices.

[1 Marks]

(A) Dual Pricing

(B) Great Proletarian Cultural Revolution

(C) Special Economic Zones

(D) Great Leap Forward

**Question 22.**

Education provides _____. (Choose the correct option to fill in the blank)

(i) Scientific advancements

(ii) Facilitate inventions and innovations

(iii) Adapting to new technology

[1 Marks]

(A) (i), (ii) and (iii)

(B) (i) and (iii)

(C) (ii) and (iii)

(D) (i) and (ii)

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## Section B

**Question 23.**

Calculate compensation of employees from the data given below :

[3 Marks]

| S. No. | Particulars | Amount (in ₹ crore) |
|---|---|---|
| (i) | Interest | 45 |
| (ii) | Profits after tax | 20 |
| (iii) | Consumption of fixed capital | 50 |
| (iv) | Gross Domestic Product at market price ($GDP_{MP}$) | 200 |
| (v) | Rent | 25 |
| (vi) | Corporate tax | 5 |
| (vii) | Goods and Services tax | 10 |

**Question 24.**

“When initial deposits in the credit creation process remains same, the total amount of credit created rises as the value of money multiplier increases.”

Defend or refute the above statement with the help of hypothetical numerical example.

[3 Marks]

**Question 25.**

“The Central Bank maintains reserves of all commercial banks and use to settle interbank claims.”

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

[3 Marks]

**Question 26.**

“In the late 1970s and 1980s, Pakistan experienced significant changes in its policies, incentives and new investments.”

Do you agree with the above statement ? Justify your answer with valid arguments.

[3 Marks]

**Question 27.**

Distinguish between formal and informal sector of employment with the help of suitable examples.

[3 Marks]

**Question 28.**

Discuss the long term implications of increased demand for environmental resources exceeding their natural regenerative capacity.

[3 Marks]

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## Section C

**Question 29.**

Read the following text carefully :

“A country’s total National Income (NI) at the end of the year is ₹ 80,000 crore. During the same year, the Gross Domestic Product (GDP) increased by ₹ 10,000 crore. The depreciation on capital goods was ₹ 2,000 crore and National savings at the end of year is ₹ 15,000 crore. Additionally, country invested ₹ 8,000 crore in new capital goods industries.”

In the light of above text, categorise the items as ‘stock’ or ‘flow’ variables with valid arguments.

[4 Marks]

**Question 30.**

The value of Nominal Gross National Product (GNP) of an economy was ₹ 2,500 crore in a particular year. The value of Gross National Product (GNP) of that country during the same year, estimated at the prices of base year was ₹ 3,000 crore.

(i) Estimate the value of Gross National Product (GNP) deflator (in percentage).

(ii) “The price level has risen between the base year and the year under consideration.” Defend or refute the statement with suitable argument

[4 Marks]

**Question 31.**

**(a)** Explain the likely impacts of the 'Make in India' policy initiated by Government of India on the Balance of Payments (BoP) of India (assuming all other factors constant).

**(b)** State the meaning of Balance of Payment (BoP) surplus and deficit.

[4 Marks]

**Question 32.**

Read the following text carefully :

"The Reserve Bank of India (RBI) announced a 50 basis point Repo Rate cut to 5.50% from 6%."

In the light of the given text and common understanding, answer the following questions :

(i) Identify the economic issue indicated in the above text.

(ii) Explain the likely causes and consequences of this step of RBI on the economy.

[4 Marks]

**Question 33.**

The Restrictive policies under the colonial government adversely affected the structure, composition and volume of India's foreign trade." Justify the above statement with valid explanation.

[4 Marks]

**Question 34.**

Explain the main objectives and impacts of land settlement policies implemented under the British government rule.

[4 Marks]

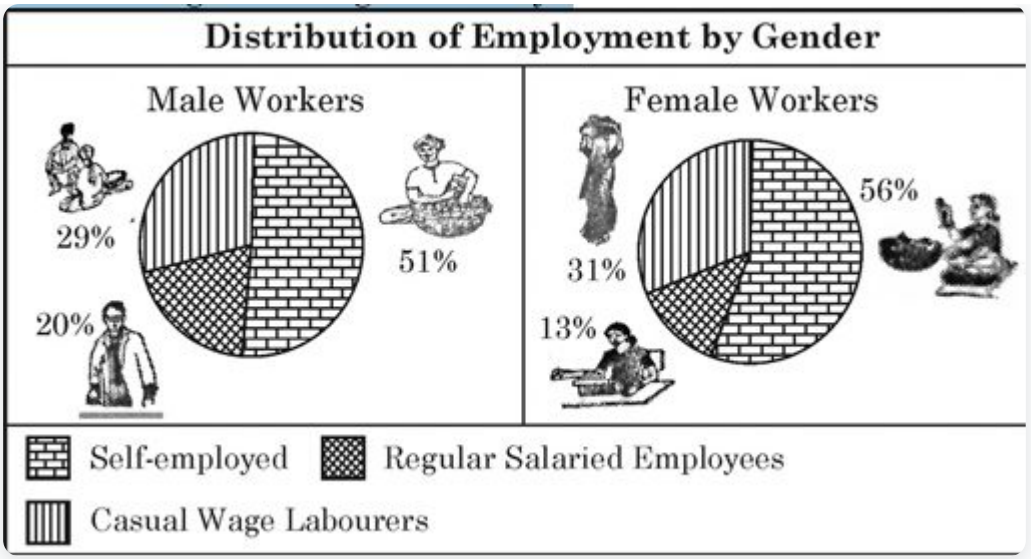
**Question 35.**

(a) Refer the given image carefully :

Compared to 1970's, there has hardly been any change in the distribution of workforce across various industries." Defend or refute the above statement with valid explanation.

(b) State the meaning of worker-population ratio.

[4 Marks]




**Question 36.**

(i) State the meaning of 'Commune system'.

(ii) Explain any two reasons for the slow economic growth in Pakistan.

[4 Marks]

## Section D

**Question 37.**

(I) Complete the following table :

(II) Identify the monetary measures being referred to in the following statements. Discuss whether the tool would be used during a situation of excess demand or deficient demand.

(i) Selling off government securities (G-Sec) to public by the central bank.

(ii) Encourage commercial banks to park their surplus funds with the Reserve Bank of India (RBI).

[6 Marks]

| Situation | Change in Investment (ΔI) | Change in Income (ΔY) | Marginal Propensity to Consume (MPC) | Investments Multiplier (K) |
|---|---|---|---|---|
| (a) | 200 | (i) ------- | 0.8 | (ii) ------- |
| (b) | (iii) ------- | 2000 | (iv) ------- | 4 |
| (c) | 1000 | (v) ------- | 0.5 | (vi) ------- |

**Question 38.**

Read the following text carefully :

The government has allocated Rs 15.27 lakh crore for major sectors, ranging from defence to rural development to social welfare to commerce and so on. Government expenditure goes to paying states' share of taxes and duties. Around 19% is spent on interest payments and 16% on central sector schemes, with subsidies, pension and other payments contributing 19%. Government revenue is divided between borrowings and other liabilities, which account for massive 27% of the incoming cash, Income tax revenue of around 19% Goods and Services Taxes (GST) and other taxes of around 18%; Corporation taxes account for around 17%.

The next highest provision on this list is 2.66 lakh crore for rural development. This will include expenditure on rural infrastructure project and increased outlay for the popular MGNREGA scheme.

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

(i) Identify the major sources of government revenue and state what percentage does each one of them contribute.

(ii) Discuss the need to allocate funds among different sectors of the economy.

[6 Marks]

**Question 39.**

Read the following text carefully and answer the questions given below :

"In India, high-yielding seed varieties were initially brought to the State of Punjab, Haryana and portions of western Uttar Pradesh

(i) Identify the approach initiated by Indian Government in 1966.

(ii) State the primary goal of this approach.

(iii) Describe any two impacts of this approach.

[6 Marks]

**Question 40.**

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

(iii) Explain examples of services that have expanded due to advancements in information technology.

[6 Marks]

**Question 41.**

Read the following text carefully :

The Union Budget 2025-26 proposed a significant package for rural India allocating Rs.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 Rs.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. _____

[6 Marks]

**Question 42.**

(I) Estimate the value of subsistence level of consumption expenditure from the following data about an economy which is in equilibrium :

(i) National Income (Y) = ₹ 1,200 crore
(ii) Marginal Propensity to Save (MPS) = 0.20
(iii) Investment Expenditure ($\overline{I}$) = ₹ 100 crore

(II) “An economy facing an increase in unintended accumulation of inventories would try to reduce Aggregate Demand.” Defend or refute the above statement with valid argument

[6 Marks]