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ECONOMICS

CLASS 12

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ECONOMICS

CBSE CLASS 12

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- In each chapter, for better understanding, questions have been classified according to the typology issued by CBSE as :

R - Remembering, **U** - Understanding,

K - Knowledge, **A** - Application.

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Latest Syllabus for Academic Year 2017-18

Economics, Class-12 (Code No. 30)

Times : 3 hours

Marks : 80

Unit	Marks	Periods
Part A : Introductory Microeconomics		
Introduction	4	8
Consumer's Equilibrium and Demand	13	32
Producer Behaviour and Supply	13	32
Forms of Market and Price Determination under perfect competition with simple applications.	10	28
	40	100
Part B : Introductory Macroeconomics		
National Income and Related Aggregates	10	28
Money and Banking	6	15
Determination of Income and Employment	12	27
Government Budget and the Economy	6	15
Balance of Payments	6	15
	40	100
Part C : Project Work	20	20

Part A : Introductory Microeconomics

Unit 1: Introduction

8 Periods

Meaning of microeconomics and macroeconomics, positive and normative economics.

What is an economy? Central problems of an economy: what, how and for whom to produce; concepts of production possibility frontier and opportunity cost.

Unit 2: Consumer's Equilibrium and Demand

32 Periods

Consumer's equilibrium - meaning of utility, marginal utility, law of diminishing marginal utility, conditions of consumer's equilibrium using marginal utility analysis.

Indifference curve analysis of consumer's equilibrium-the consumer's budget (budget set and budget line), preferences of the consumer (indifference curve, indifference map) and conditions of consumer's equilibrium.

Demand, market demand, determinants of demand, demand schedule, demand curve and its slope, movement along and shifts in the demand curve; price elasticity of demand - factors affecting price elasticity of demand; measurement of price elasticity of demand - percentage-change method.

Unit 3: Producer Behaviour and Supply

32 Periods

Meaning of production function: Short-Run and Long-Run

Total Product, Average Product and Marginal Product.

Returns to a Factor.

Cost : Short run costs - total cost, total fixed cost, total variable cost; Average cost; Average fixed cost, average variable cost and marginal cost-meaning and their relationship.

Revenue - Total, average and marginal revenue - meaning and their relationships.

Producer's equilibrium-meaning and its conditions in terms of marginal revenue-marginal cost. Supply, market supply, determinants of supply, supply schedule, supply curve, and its slope movements along and shifts in supply curve, price elasticity of supply; measurement of price elasticity of supply - percentage-change method.

Unit 4: Forms of Market and Price Determination under Perfect Competition with simple applications. 28 Periods

Perfect competition - Features; Determination of market equilibrium and effects of shifts in demand and supply.

Other Market Forms - Monopoly, monopolistic competition, oligopoly - their meaning and features.

Simple Applications of Demand and Supply: Price ceiling, price floor.

Part B : Introductory Macroeconomics

Unit 5: National Income and Related Aggregates 28 Periods

Some basic concepts: consumption goods, capital goods, final goods, intermediate goods; stocks and flows; gross investment and depreciation.

Circular flow of income (two sector model); Methods of calculating National Income - Value Added or Product method, Expenditure method, Income method.

Aggregates related to National Income:

Gross National Product (GNP), Net National Product (NNP), Gross and Net Domestic Product (GDP and NDP) - at market price, at factor cost; Real and Nominal GDP

GDP and Welfare

Unit 6: Money and Banking 15 Periods

Money - meaning and Supply of money - Currency held by the public and net demand deposits held by commercial banks.

Money creation by the commercial banking system.

Central bank and its functions (example of the Reserve Bank of India): Bank of issue, Govt. Bank, Banker's Bank, Control of Credit through Bank Rate, CRR, SLR, Repo Rate and Reverse Repo Rate, Open Market Operations, Margin requirement.

Unit 7: Determination of Income and Employment 27 Periods

Aggregate demand and its components.

Propensity to consume and propensity to save (average and marginal).

Short-run equilibrium output; investment multiplier and its mechanism.

Meaning of full employment and involuntary unemployment.

Problems of excess demand and deficient demand; measures to correct them - change in government spending taxes and money supply.

Unit 8: Government Budget and the Economy 15 Periods

Government budget - meaning, objectives and components.

Classification of receipts - revenue receipts and capital receipts; classification of expenditure - revenue expenditure and capital expenditure.

Measures of government deficit - revenue deficit, fiscal deficit, primary deficit their meaning.

Unit 9: Balance of Payments

15 Periods

Balance of payments account - Meaning and components; balance of payments deficit-meaning.

Foreign exchange rate - Meaning of fixed and flexible rates and managed floating.

Determination of exchange rate in a free market.

Prescribed Books:

1. Statistics for Economics, Class XI, NCERT
2. Indian Economic Development, Class XI, NCERT
3. Introductory Micro Economics, Class XII, NCERT
4. Macro Economics, Class XII, NCERT
5. Supplementary Reading Material in Economics, Class XII, CBSE

Note: The above publications are also available in Hindi Medium.



Question Paper Design (2017-18)**Economics (Code No. 030)****Class XII****Theory : 80 Marks +Project : 20 Marks**

S. No.	Typology of Questions	Very Short Answer/ MCQ 1 Mark	Short Answer I 3 Marks	Short Answer II 4 Marks	Long Answer 6 Marks	Marks	%
1.	Remembering (Knowledge based Simple recall questions, to know specific facts, terms, concepts, principles, or theories; identify, define, or recite, information)	2	-	2	2	22	27%
2.	Understanding (Comprehension - to be familiar with meaning and to understand conceptually, interpret, compare, contrast, explain, paraphrase, or interpret information)	2	1	2	1	19	24%
3.	Application (Use abstract information in concrete situation, to apply knowledge to new situations; Use given content to interpret a situations, provide an example, or solve a problem)	2	1	1	1	15	19%
4.	High Order Thinking Skills - (Analysis & Synthesis- Classify, compare, contrast, or differentiate between different pieces of information, Organize and/or integrate unique pieces of information from a variety of sources)	1	1	1	1	14	17%
5.	Evaluation - (Appraise, judge, and/or justify the value or worth of a decision or outcome, or to predict outcomes based on values)	1	1	-	1	10	13%
	Total	8×1=8	4×3=12	6×4=24	6×6=36	80(24)	100%

Note: There will be **Internal Choice** in questions of 3 marks, 4 marks and 6 marks in both sections (A and B).
(Total 3 internal choices in section A and total 3 internal choices in section B).



WRITING NOTES

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**EXAMINATION
PAPER**

**C.B.S.E.
2017
Class–XII
Delhi & Outside Delhi Set**

Economics

Time : 3 Hours

Max. Marks : 100

General Instructions :

- (i) All questions in both the sections are *compulsory*.
- (ii) Marks for questions are indicated against each question.
- (iii) Question Nos. 1-5 and 16-20 are very short answer questions carrying 1 mark each. They are required to be answered in *one sentence* each.
- (iv) Question Nos. 6-8 and 21-23 are short answer questions carrying 3 marks each. Answers to them should normally not exceed 60 words each.
- (v) Question Nos. 9-11 and 24-26 are also short answer questions carrying 4 marks each. Answers to them should normally not exceed 70 words each.
- (vi) Question Nos. 12-15 and 27-30 are long answer questions carrying 6 marks each. Answers to them should normally not exceed 100 words each.
- (vii) Answers should be brief and to the point and the above word limits should be adhered to as far as possible.

Delhi Set I

Code No. 57/1/1

SECTION - A

1. The demand of a commodity when measured through the expenditure approach is inelastic. A fall in its price will result in (choose the correct alternative) : 1
 - (a) no change in expenditure on it
 - (b) increase in expenditure on it.
 - (c) decrease in expenditure on it
 - (d) any one of the above
 2. As we move along a downward sloping straight line demand curve from left to right, price elasticity of demand (choose the correct alternative) : 1
 - (a) remains unchanged
 - (b) goes on falling
 - (c) goes on rising
 - (d) falls initially then rises
 3. Define market demand. 1
 4. Average revenue and price are always equal under (choose the correct alternative) : 1
 - (a) perfect competition only
 - (b) monopolistic competition only
 - (c) monopoly only
 - (d) all market forms
 5. State any one feature of oligopoly. 1
 6. Distinguish between microeconomics and macroeconomics. 3
 7. State the meaning and properties of production possibilities frontier. 3
 8. Show that demand of a commodity is inversely related to its price. 3

Explain with the help of utility analysis.
- OR**
- Why is an indifference curve negatively sloped ? Explain.
9. Explain the conditions of consumer's equilibrium under indifference curve approach. 4
 10. State different phases of the law of variable proportions on the basis to total product. Use diagram. 4
- OR**
- Explain the geometric method of measuring price elasticity of supply. Use diagram.
11. Explain the 'free entry and exit of firms' feature of monopolistic competition. 4
 12. When price of a commodity X falls by 10 per cent, its demand rises from 150 units to 180 units. Calculate its price elasticity of demand. How much should be the percentage fall in its price so that its demand rises from 150 to 210 units ? 6

13. Complete the following table :

6

Output units	Total cost ₹	Average variable cost ₹	Marginal cost ₹	Average fixed cost ₹
0	30			
1	—	—	20	—
2	68	—	—	—
3	84	18	—	—
4	—	—	18	—
5	125	19	—	6

14. Good Y is a substitute of good X. The price of Y falls. Explain the chain of effects of this change in the market of X.

OR

Explain the chain of effects of excess supply of a good on its equilibrium price.

6

15. Given below is the cost schedule of a product produced by a firm. The market price per unit of the product at all levels of output is ₹ 12. Using marginal cost and marginal revenue approach, find out the level of equilibrium output. Give reasons for your answer :

6

Output (Units)	1	2	3	4	5	6
Average Cost (₹)	12	11	10	10	10.4	11

16. The ratio of total deposits that a commercial bank has to keep with Reserve Bank of India is called (Choose the correct alternative) :

1

- (a) Statutory liquidity ratio (b) Deposit ratio
(c) Cash reserve ratio (d) Legal reserve ratio

17. Aggregate demand can be increased by (Choose the correct alternative) :

1

- (a) increasing bank rate (b) selling government securities by Reserve Bank of India
(c) increasing cash reserve ratio (d) none of the above

18. Give the meaning of involuntary unemployment.

1

19. What is primary deficit ?

1

20. Give the meaning of balance of payments.

1

21. Distinguish between final goods and intermediate goods. Give an example of each.

3

22. Explain the store of value function of money.

3

OR

State the meaning and components of money supply.

23. Explain the basis of classifying taxes into direct and indirect tax. Give examples.

3

24. Explain 'banker to the government' function of the Central bank.

4

OR

Explain the role of reverse repo rate in controlling money supply.

25. Explain how government budget can be used to influence distribution of income ?

4

26. An economy is in equilibrium. From the following data about an economy calculate autonomous consumption. 4

(i) Income = ₹ 5,000

(ii) Marginal propensity to save = 0.2

(iii) Investment expenditure = ₹ 800

27. Why does the demand for foreign currency fall and supply rises when its price rises ? Explain.

6

28. Explain 'non-monetary exchanges' as a limitation of using gross domestic product as an index of welfare of a country.

6

OR

How will you treat the following while estimating domestic product of a country ? Give reasons for your answer.

(a) Profits earned by branches of country's bank in other countries.

(b) Gifts given by an employer to his employees on independence day.

(c) Purchase of goods by foreign tourists.

29. Calculate (a) net domestic product at factor cost and (b) gross national disposable income :

6

		₹ in crores
(i)	Private final consumption expenditure	8,000
(ii)	Government final consumption expenditure	1,000
(iii)	Exports	70
(iv)	Imports	120

(v)	Consumption of fixed capital	60
(vi)	Gross domestic fixed capital formation	500
(vii)	Change in stock	100
(viii)	Factor income to abroad	40
(ix)	Factor income from abroad	90
(x)	Indirect taxes	700
(xi)	Subsidies	50
(xii)	Net current transfers to abroad	(-) 30

30. Assuming that increase in investment is ₹ 1,000 crore and marginal propensity to consume is 0.9, explain the working of multiplier. 6

Delhi Set II

Code No. 57/1/2

SECTION - A

6. Explain the problem of 'what to produce'. 3
9. A consumer consumes only two goods. Explain the conditions of consumer's equilibrium using utility analysis. 4
14. X and Y are complementary goods. The price of Y falls. Explain the chain of effects of this change in the market of X.

OR

- Explain the chain of effect of excess demand of a good on its equilibrium price. 6
27. Assuming that increase in investment is ₹ 800 crore and marginal propensity to consume is 0.8, explain the working of multiplier. 6
29. Calculate (a) national income, (b) net national disposable income : 6

		₹ in crores
(i)	Net factor income to abroad	(-) 50
(ii)	Net indirect taxes	800
(iii)	Net current transfers from rest of the world	100
(iv)	Net imports	200
(v)	Private final consumption expenditure	5,000
(vi)	Government final consumption expenditure	3,000
(vii)	Gross domestic capital formation	1,000
(viii)	Consumption of fixed capital	150
(ix)	Change in stock	(-) 50
(x)	Mixed income	4,000
(xi)	Scholarship to students	80

Delhi Set III

Code No. 57/1/3

SECTION - A

9. Explain the meaning of diminishing marginal rate of substitution with the help of an example. 4
15. Using marginal cost and marginal revenue approach, find out the level of output at which producer will be in equilibrium. Give reasons for your answer. 6

Output (Units)	1	2	3	4	5	6
Average Revenue ₹	20	20	20	20	20	20
Total Cost ₹	22	42	60	76	96	120

20. What is fiscal deficit ? 1
29. Calculate (a) net national product at market price and (b) gross national disposable income : 6

		₹ in crores
(i)	Gross domestic fixed capital formation	400
(ii)	Private final consumption expenditure	8,000
(iii)	Government final consumption expenditure	3,000
(iv)	Change in stock	50
(v)	Consumption of fixed capital	40
(vi)	Net indirect taxes	100
(vii)	Net exports	(-) 60
(viii)	Net factor income to abroad	(-) 80
(ix)	Net current transfers from abroad	100
(x)	Dividend	100



Outside Delhi Set I

Code No. 58/1

SECTION - A

- Any statement about demand for a good is considered complete only when the following is/are mentioned in it (Choose the correct alternative) : 1
 - Price of the good
 - Quantity of the good
 - Period of time
 - All of the above
- Demand for a good is termed inelastic through the expenditure approach when if (Choose the correct alternative): 1
 - Price of the good falls, expenditure on it rises
 - Price of the good falls, expenditure on it falls
 - Price of the good falls, expenditure on it remains unchanged
 - Price of the good rises, expenditure on it falls
- Define indifference curve. 1
- A seller *cannot* influence the market price under (Choose the correct alternative) : 1
 - Perfect competition
 - Monopoly
 - Monopolistic competition
 - All of the above
- State any one feature of monopolistic competition. 1
- Give the meaning and characteristics of production possibility frontier. 3
- Explain the problem of "how to produce". 3
- Distinguish between 'increase in demand' and 'increase in quantity demanded' of a good. 3

OR

Explain the meaning of 'Budget set' and 'Budget line'. 3
- Explain with the help of a numerical example, the meaning of diminishing marginal rate of substitution. 4
- Define market supply. Explain the factor 'input prices' that can cause a change in supply. 4

OR

Give the behaviour of marginal product and total product as more and more units of only one input are employed while keeping other inputs as constant. 4
- Explain "perfect knowledge about the markets" feature of perfect competition. 4
- When the price of a good rises from ₹ 10 per unit to ₹ 12 per unit, its quantity demanded falls by 20 percent. Calculate its price elasticity of demand. How much would be the percentage change in its quantity demanded, if the price rises from ₹ 10 per unit to ₹ 13 per unit ? 6
- Complete the following table : 6

Output (units)	Average Fixed Cost (₹)	Marginal Cost (₹)	Average Variable Cost (₹)	Average Cost (₹)
1	60	20	—	—
2	—	—	19	—
3	20	—	18	—

4	—	18	—	33
5	12	—	—	31

14. From the following total cost and total revenue schedule of a firm, find out the level of output, using marginal cost and marginal revenue approach, at which the firm would be in equilibrium. Give reasons for your answer. 6

Output (units)	Total Revenue (₹)	Total Cost (₹)
1	10	8
2	18	15
3	24	21
4	28	25
5	30	33

15. Distinguish between perfect oligopoly and imperfect oligopoly. Also explain the “interdependence between the firms” feature of oligopoly. 6

OR

Explain the meaning of excess demand and excess supply with the help of a schedule. Explain their effect on equilibrium price. 6

SECTION - B

16. Demand deposits include (Choose the correct alternative) : 1
 (a) Saving account deposits and fixed deposits
 (b) Saving account deposits and current account deposits
 (c) Current account deposits and fixed deposits
 (d) All types of deposits

17. Define marginal propensity to consume. 1

18. If the marginal propensity to consume is greater than marginal propensity to save, the value of the multiplier will be (Choose the correct alternative) : 1
 (a) greater than 2 (b) less than 2
 (c) equal to 2 (d) equal to 5

19. Define Government budget. 1

20. What is meant by depreciation of domestic currency ? 1

21. Explain with the help of an example, the basis of classifying goods into final goods and intermediate goods. 3

22. Explain “difficulty in storing wealth” problem faced in the barter system of exchange. 3

OR

Explain the “medium of exchange” function of money. 3

23. Distinguish between direct taxes and indirect taxes. Give an example of each. 3

24. Explain the “bankers’ bank” function of the central bank. 4

OR

Explain the process of credit creation by commercial banks. 4

25. An economy is in equilibrium. From the following data, calculate the marginal propensity to save : 4

- (a) Income = ₹ 10,000
 (b) Autonomous consumption = 500
 (c) Consumption expenditure = ₹ 8,000

26. Explain how government budget can be helpful in bringing economic stabilization in the economy. 4

27. Distinguish (a) between current account and capital account, and (b) between autonomous transactions and accommodating transactions of balance of payments account. 6

28. Explain the precautions that should be taken while estimating national income by expenditure method. 6

OR

Will the following be included in the domestic product of India ? Give reasons for your answer. 6

- (a) Profits earned by foreign companies in India
 (b) Salaries of Indians working in the Russian Embassy in India
 (c) Profits earned by a branch of State Bank of India in Japan

29. Calculate (a) National Income, and (b) Net National Disposable Income : 6
- (₹ in crores)
- | | |
|--------------------------------------|-------|
| (i) Compensation of employees | 2,000 |
| (ii) Rent | 400 |
| (iii) Profit | 900 |
| (iv) Dividend | 100 |
| (v) Interest | 500 |
| (vi) Mixed income of self-employed | 7,000 |
| (vii) Net factor income to abroad | 50 |
| (viii) Net exports | 60 |
| (ix) Net indirect taxes | 300 |
| (x) Depreciation | 150 |
| (xi) Net current transfers to abroad | 30 |
30. Given a consumption curve, outline the steps required to be taken in deriving a saving curve from it. Use diagram. 6

Outside Delhi Set II**Code No. 58/2****SECTION - A**

7. Explain the problem of “for whom to produce”. 3
13. Complete the following table : 6

Output (units)	Total Cost (₹)	Average Variable Cost (₹)	Marginal Cost (₹)	Average Fixed Cost (₹)
0	30			
1	—	—	25	30
2	78	—	—	—
3	—	23	—	10
4	—	—	23	—
5	150	—	—	6

14. From the following table find out the level of output at which the producer will be in equilibrium (use marginal cost and marginal revenue approach). Give reasons for your answer. 6

Output (units)	1	2	3	4	5
Total Revenue (₹)	16	30	42	52	60
Total Cost (₹)	14	27	39	49	61

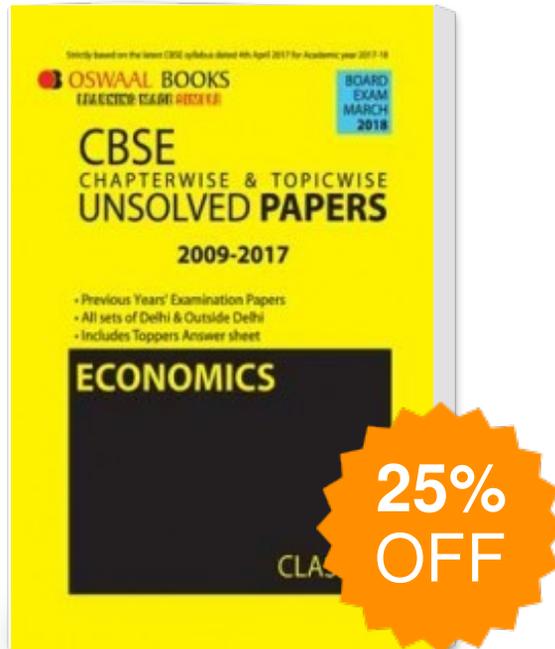
21. Explain the circular flow of income. 3
28. Explain the precautions that are taken while estimating national income by value added method. 6

OR

Will the following be included in the national income of India ? Give reasons for your answer. 6

- (a) Financial assistance to flood victims
- (b) Profits earned by the branches of a foreign bank in India
- (c) Salaries of Indians working in the American Embassy in India
29. Calculate (a) Net National Product at Market Price, and (b) Gross National Disposable Income : 6
- (₹ in crore)
- | | |
|-----------------------------------|-------|
| (i) Mixed income of self-employed | 8,000 |
| (ii) Depreciation | 200 |
| (iii) Profit | 1,000 |
| (iv) Rent | 600 |
| (v) Interest | 700 |
| (vi) Compensation of employees | 3,000 |

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