

# ECONOMICS CEASS XII

Time : 3 Hours

One Paper

Marks : 100

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## Part A : Introductory Microeconomics

### Unit 1: Introduction

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

Distinctions between (a) planned and market economies, (b) positive and normative perspectives in economics, and (c) microeconomics and macroeconomics .

**(Non-evaluative topics:** Some basic tools in the study of economics - equation of a line, slope of a line, slope of a curve.)

### Unit 2: Consumer Equilibrium and Demand

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, movement along and shifts in the demand curve; price elasticity of demand - factors affecting price elasticity of demand; measurement of price elasticity of demand – (a) percentage-change method and (b) geometric method (linear demand curve); relationship between price elasticity of demand and total expenditure.

### Unit 3: Producer Behaviour and Supply

Production function: Total Product, Average Product and Marginal Product.

Returns to a Factor.

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

Revenue - total, average and marginal revenue.

Producer's equilibrium-meaning and its conditions-under (a) total revenue-total cost approach and (b) marginal revenue-marginal cost approach.

Supply, market supply, determinants of supply, supply schedule, supply curve, movements along and shifts in supply curve, price elasticity of supply; measurement of price elasticity of supply – (a) percentage change method and (b) geometric methods.

#### **Unit 4: Forms of Market and Price Determination**

Perfect competition - meaning and features.

Market Equilibrium under perfect competition – Determination of equilibrium price, Effects of shifts in demand and supply.

Non - Competitive Markets - monopoly, monopolistic competition, oligopoly - their meanings and features.

#### **Unit 5: Simple applications of Tools of demand and supply (not to be examined)**

### **Part B : Introductory Macroeconomics**

#### **Unit 6: National Income and related aggregates**

Macroeconomics: Its meaning.

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

Circular flow of income; Methods of calculating National Income – Value Added or Product method, Expenditure method, Income method.

Concepts and 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; National Disposable Income (gross and net), Private Income, Personal Income and Personal Disposable Income; Real and Nominal GDP. GDP and Welfare

#### **Unit 7: Money and Banking**

Money – its meaning and function.

Supply of money – Currency held by the public and net demand deposits held by commercial banks.

Money creation by the commercial banking system.

Central banking and its functions (example of the Reserve Bank of India).

#### **Unit 8: Determination of Income and Employment**

Aggregate demand and its components.

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

Short-run fixed price in product market, equilibrium output; investment or output multiplier and the multiplier mechanism.

Meaning of full employment and involuntary unemployment.

Problems of excess demand and deficient demand; measures to correct them - change in government spending, availability of credit.

#### **Unit 9: Government Budget and the Economy**

Government budget - meaning, objectives and components.

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

Various measures of government deficit - revenue deficit, fiscal deficit, primary deficit: their meaning and implications.

Fiscal policy and its role (**non-evaluative topic**).

#### **Unit 10: Balance of Payments**

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.