

# Economics Class 12<sup>th</sup> Syllabus

## Course Structure

Units	Marks
<b>Part A: Introductory Microeconomics</b>	
Introduction	6
Consumer Equilibrium and Demand	16
Producer Behaviour and Supply	16
Forms of Market and Price Determination	12
<b>Part B: Introductory Macroeconomics</b>	
National Income and Related Aggregates	15
Money and Banking	8
Determination of Income and Employment	12
Government Budget and the Economy	8
Balance of Payments	7
<b>Total</b>	<b>100</b>

## Part A: Introductory Microeconomics

### Unit 1: Introduction

Meaning of microeconomics and macroeconomics

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 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 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 – (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 - Short-Run and Long-Run

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 cost; Average fixed cost, average variable cost and marginal cost-meaning and their relationship.

Revenue - total, average and marginal revenue - meaning and their relationship.

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 – (a) percentage change method and (b) geometric method.

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

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**

Some basic concepts: 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.

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 6: Money and Banking**

Money - its meaning and functions.

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, Controller 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**

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**

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**

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.

