

ECONOMICS

(Code No. 527)

CLASS XII

BRIEF

Economics is one of the social sciences, which has great influence on every human being. As economic life and the economy go through changes, the need to ground education in children's own experience becomes essential. While doing so, it is imperative to provide them opportunities to acquire analytical skills to observe and understand the economic realities.

At senior secondary stage, the learners are in a position to understand abstract ideas, exercise the power of thinking and to develop their own perception. It is at this stage, the learners are exposed to the rigour of the discipline of economics in a systematic way. The economics courses are introduced in such a way that in the initial stage, the learners are introduced to the economic realities that the nation is facing today along with some basic statistical tools to understand these broader economic realities. In the later stage, the learners are introduced to economics as a theory of abstraction.

The economics courses also contain many projects and activities. These will provide opportunities for the learners to explore various economic issues both from their day-to-day life and also from issues, which are broader and invisible in nature. The academic skills that they learn in these courses would help to develop the projects and activities. The syllabus is also expected to provide opportunities to use information and communication technologies to facilitate their learning process.

OBJECTIVES

1. Understanding of some basic economic concepts and development of economic reasoning which the learners can apply in their day-to-day life as citizens, workers and consumers.
2. Realisation of learners' role in nation building and sensitivity to the economic issues that the nation is facing today.
3. Equipment with basic tools of economics and statistics to analyse economic issues. This is pertinent for even those who may not pursue this course beyond senior secondary stage.
4. Development of understanding that there can be more than one views on any economic issue and necessary skills to argue logically with reasoning.

Units

Marks

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Part B : Introductory Macroeconomics

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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 Microeconomics

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.

