

CBSE CLASS 12
ANSWER KEY (Set 1)
Subject: Economics

SECTION A – MACROECONOMICS

Part A – MCQs (Answers)

1. (c) Government expenditure on roads
 2. (b) Inflation
 3. (a) 0 and 1
 4. (a) M1
 5. (c) RBI
 6. (c) GST collection
 7. (b) NDP at MP
 8. (a) Exports & Imports of goods
 9. (a) Control inflation
 10. (b) Independent of income
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Part B – Short Answer

11. Gross Domestic Product at Factor Cost (GDP at FC)

Meaning:

GDP at Factor Cost refers to the total value of all final goods and services produced within the domestic territory of a country during an accounting year, measured at factor cost.

Formula:

$$\text{GDP at FC} = \text{GDP at MP} - \text{Indirect Taxes} + \text{Subsidies}$$

12. Any Two Functions of RBI

(i) Issue of Currency

RBI has the sole authority to issue currency notes (except ₹1 note).

(ii) Banker to the Government

RBI acts as banker, agent and advisor to the government and manages public debt.

13. Difference between Revenue Deficit and Fiscal Deficit

Basis	Revenue Deficit	Fiscal Deficit
Meaning	Excess of revenue expenditure over revenue receipts	Excess of total expenditure over total receipts (excluding borrowings)
Nature	Shows current income shortfall	Shows total borrowing requirement
Impact	Reduces savings of government	Increases public debt

14. Investment Multiplier

Meaning:

Multiplier shows the change in income due to change in investment.

Formula:

$$K = 1 / (1 - MPC)$$

Working:

An increase in investment increases income, which increases consumption, leading to further increase in income.

Part C – Short Answer

15. Full Employment

Full employment refers to a situation where all those who are willing and able to work at the prevailing wage rate are employed.

It does not mean zero unemployment; frictional unemployment may exist.

16. Difference between Direct and Indirect Taxes

Direct Taxes

Paid directly by taxpayer

Example: Income tax

Burden cannot be shifted

Indirect Taxes

Shifted to others

Example: GST

Burden can be shifted

17. Components of Current Account of BOP

1. Export and Import of goods (Visible items)
 2. Export and Import of services (Invisible items)
 3. Unilateral transfers (remittances, gifts)
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Part D – Long Answer

18. Circular Flow of Income in Two-Sector Economy

Meaning:

It shows the flow of income between households and firms.

Explanation:

- Households provide factors of production to firms.
- Firms pay rent, wages, interest and profit.
- Households spend income on goods and services.

Diagram (Exam Representation):

Households → (Factors) → Firms

Firms → (Goods & Services) → Households

Money flows in opposite direction.

19. Measures Adopted by RBI to Control Inflation

(i) Quantitative Measures:

- Increase Repo Rate
- Increase CRR & SLR
- Open Market Operations (Sale of securities)

(ii) Qualitative Measures:

- Credit rationing
- Moral suasion
- Selective credit control

SECTION B – INDIAN ECONOMIC DEVELOPMENT

Part A – MCQs (Answers)

20. (b) 1965
21. (b) 1991
22. (a) 1982
23. (b) Agriculture
24. (c) UNDP
25. (c) Tertiary
26. (b) 2014
27. (b) Planning Commission
28. (b) Calorie intake
29. (b) Free flow of capital
30. (b) Rural credit

Short Answer

31. Objectives of Economic Planning

1. Economic Growth
 2. Self-reliance
 3. Reduction of poverty
 4. Modernisation
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32. Causes of Unemployment in India

1. Rapid population growth
 2. Slow industrial growth
 3. Seasonal agriculture
 4. Lack of skills
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33. Features of New Economic Policy 1991

1. Liberalisation – Removal of license system
 2. Privatisation – Reduced role of public sector
 3. Globalisation – Integration with world economy
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34. Sustainable Development

Development that meets present needs without compromising the ability of future generations to meet their needs.

Long Answer

35. Achievements and Failures of Green Revolution

Achievements:

- Increased food grain production
- Self-sufficiency in food
- Higher farmer income

Failures:

- Regional inequalities
 - Environmental damage
 - Benefited large farmers mainly
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36. Role of Human Capital in Economic Development

Human capital includes education, health and skills.
It increases productivity, innovation and economic growth.

37. Poverty Alleviation Programmes

1. MGNREGA
2. PMRY
3. National Food Security Act
4. Self Help Groups

These programmes aim to reduce poverty and generate employment.