

CBSE CLASS 12
ANSWER KEY (SET-10)
Subject: Economics

SECTION A – MACROECONOMICS

Part A – MCQs (Answers)

1. (c) NNP at FC
 2. (b) 2.5
 3. (b) Purchase of new machine
 4. (b) Decrease money supply
 5. (a) Borrowing requirement of government
 6. (c) All economic transactions with rest of world
 7. (c) Income
 8. (b) $AD < AS$ at full employment
 9. (a) C/Y
 10. (b) Capital receipt
-

Part B – Short Answer

11. Gross National Product at Market Price (GNP at MP)

Meaning:

Gross National Product at Market Price refers to the total market value of all final goods and services produced by the residents of a country during an accounting year.

Formula:

$GNP = GDP + \text{Net Factor Income from Abroad (NFIA)}$

12. Instruments of Monetary Policy

(i) Repo Rate

Rate at which RBI lends money to commercial banks. Increase in repo rate reduces money supply.

(ii) Open Market Operations

Buying and selling of government securities to control money supply.

13. Difference between Current Account and Capital Account

Current Account

Deals with goods & services

Includes exports & imports

Short-term transactions

Capital Account

Deals with capital transactions

Includes FDI, loans

Long-term investments

14. Investment Multiplier

Meaning:

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

Formula:

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

OR

$$K = 1 / MPS$$

Working:

Increase in investment → Increase in income → Increase in consumption → Further increase in income.

Part C – Short Answer

15. Excess Demand

Meaning:

Excess demand occurs when Aggregate Demand exceeds Aggregate Supply at full employment level.

Causes:

1. Increase in government expenditure
 2. Increase in money supply
 3. Increase in investment
-

16. Difference between Revenue Receipts and Capital Receipts**Revenue Receipts****Capital Receipts**

Do not create liabilities Create liabilities or reduce assets

Example: Taxes

Example: Borrowings

17. Functions of Commercial Banks

1. Accept deposits
 2. Provide loans
 3. Credit creation
 4. Agency services
-

Part D – Long Answer

18. National Income by Income Method**Steps:**

1. Identify factor incomes (wages, rent, interest, profit).
2. Add mixed income of self-employed.
3. Add Net Factor Income from Abroad (if required).

Formula:

National Income = Compensation of Employees + Rent + Interest + Profit + Mixed Income + NFIA

19. Fiscal Policy Measures to Control Inflation

1. Increase taxes
2. Reduce government expenditure
3. Increase public borrowing
4. Reduce fiscal deficit

These measures reduce aggregate demand and control inflation.

SECTION B – INDIAN ECONOMIC DEVELOPMENT

Part A – MCQs (Answers)

20. (b) Agriculture
 21. (b) Wheat and Rice
 22. (b) Hidden unemployment
 23. (a) Industrial sector
 24. (c) Transfer of ownership to private sector
 25. (c) UNDP
 26. (b) 1991
 27. (c) 100 days
 28. (b) Calorie intake
 29. (c) Banking
 30. (b) 1995
-

Short Answer

31. Objectives of Five Year Plans

1. Economic growth
 2. Self-reliance
 3. Modernisation
 4. Poverty reduction
-

32. Causes of Unemployment in India

1. Rapid population growth
 2. Seasonal agriculture
 3. Lack of skills
 4. Slow industrial growth
-

33. Role of Foreign Trade

1. Earns foreign exchange
 2. Promotes economic growth
 3. Access to modern technology
 4. Encourages competition
-

34. Human Capital Formation

Investment in education, health and skill development to improve productivity of workforce.

Long Answer

35. Achievements and Limitations of Green Revolution

Achievements:

1. Increased food grain production
2. Self-sufficiency
3. Use of modern technology

Limitations:

1. Regional imbalance
 2. Environmental degradation
 3. Income inequality
-

36. Features and Impact of LPG Reforms**Features:**

1. Liberalisation
2. Privatisation
3. Globalisation

Impact:

1. Increased foreign investment
 2. Growth of service sector
 3. Higher competition
-

37. Major Employment Generation Programmes

1. MGNREGA
2. PMRY
3. Skill India Mission
4. Self Help Groups

These programmes reduce poverty and unemployment.