

CBSE CLASS 12
ANSWER KEY (SET-2)
Subject: Economics

SECTION A – MACROECONOMICS

Part A – MCQs (Answers)

1. (a) GNP – Depreciation
 2. (c) 5
 3. (c) Wealth
 4. (b) RBI
 5. (b) Expenditure > Revenue
 6. (b) Capital Account
 7. (c) Lottery winnings
 8. (a) Uncertainty
 9. (b) Inflationary gap
 10. (b) Revenue Expenditure
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Part B – Short Answer

11. Gross National Product (GNP)

Meaning:

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

Formula:

GNP = GDP + Net Factor Income from Abroad (NFIA)

12. Any Two Components of Government Budget

(i) Revenue Budget

Includes revenue receipts (tax & non-tax) and revenue expenditure (salaries, subsidies).

(ii) Capital Budget

Includes capital receipts (borrowings, recovery of loans) and capital expenditure (infrastructure, loans given).

13. Difference between Balance of Trade and Balance of Payments

Basis	Balance of Trade	Balance of Payments
Meaning	Difference between exports & imports of goods	Record of all economic transactions with rest of world
Scope	Narrow concept	Broad concept
Includes	Goods only	Goods, services, capital transfers

14. Deflationary Gap

Meaning:

Deflationary gap occurs when Aggregate Demand (AD) is less than Aggregate Supply (AS) at full employment level.

Effect:

- Fall in price level
 - Increase in unemployment
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Part C – Short Answer

15. Aggregate Supply (AS)

Aggregate Supply refers to the total value of goods and services that producers are willing to supply in an economy at a given price level during a period.

At full employment, AS becomes perfectly inelastic.

16. Difference between Commercial Bank and Central Bank

Commercial Bank	Central Bank
Accepts deposits from public	Banker to banks
Provides loans to public	Issues currency
Profit motive	No profit motive

17. Components of Capital Account in BOP

1. Foreign Direct Investment (FDI)
 2. Portfolio Investment
 3. External borrowings
 4. Banking capital
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Part D – Long Answer

18. Determination of Income and Employment (AD-AS Approach)

Meaning:

Equilibrium income is determined where Aggregate Demand (AD) equals Aggregate Supply (AS).

Explanation:

- If $AD > AS$ → Inflationary gap
- If $AD < AS$ → Deflationary gap
- Equilibrium occurs at intersection of AD and AS curves.

Diagram Representation (Exam Format):

AD ↑ intersects AS at point E (Equilibrium)

19. Quantitative and Qualitative Methods of Credit Control

(A) Quantitative Measures:

1. Repo Rate
2. CRR
3. SLR
4. Open Market Operations

(B) Qualitative Measures:

1. Credit rationing
2. Moral suasion
3. Selective credit control

SECTION B – INDIAN ECONOMIC DEVELOPMENT

Part A – MCQs (Answers)

20. (b) Heavy Industries
 21. (c) Milk
 22. (b) Equal land distribution
 23. (b) Kerala
 24. (a) Removal of trade barriers
 25. (b) Agriculture
 26. (b) Death rate of infants
 27. (b) Special Economic Zone
 28. (b) NITI Aayog
 29. (a) Balance of Payments crisis
 30. (b) Rural areas
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Short Answer

31. Features of Green Revolution

1. Use of HYV seeds
 2. Use of chemical fertilizers
 3. Irrigation facilities
 4. Mechanisation
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32. Causes of Poverty in India

1. Rapid population growth
 2. Unemployment
 3. Low productivity
 4. Unequal distribution of income
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33. Role of Agriculture in Indian Economy

1. Provides employment
 2. Supplies raw materials
 3. Contributes to GDP
 4. Ensures food security
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34. Globalisation

Meaning:

Integration of Indian economy with world economy.

Two Advantages:

1. Increased foreign investment
 2. Access to global markets
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Long Answer

35. Achievements and Failures of Economic Planning

Achievements:

1. Industrial development
2. Agricultural growth
3. Infrastructure expansion

Failures:

1. Persistent poverty
 2. Unemployment
 3. Inequality
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36. Importance of Infrastructure

1. Promotes industrial growth
 2. Increases productivity
 3. Attracts investment
 4. Improves standard of living
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37. Major Employment Generation Programmes

1. MGNREGA
2. PMRY
3. Deen Dayal Antyodaya Yojana
4. Skill India Mission