

CBSE CLASS 12
ANSWER KEY (SET-6)
Subject: Economics

SECTION A – MACROECONOMICS

Part A – MCQs (Answers)

1. (a) GDP – Depreciation
 2. (a) 2.5
 3. (b) Salary of a government employee
 4. (b) RBI
 5. (b) Revenue Expenditure – Revenue Receipts
 6. (b) Trade deficit
 7. (b) Consumption function
 8. (c) Rate of interest
 9. (c) Construction of highway
 10. (a) S/Y
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Part B – Short Answer

11. Gross Domestic Product at Market Price (GDP at MP)

Meaning:

GDP at Market Price refers to the total value of all final goods and services produced within the domestic territory of a country during an accounting year, including indirect taxes and excluding subsidies.

12. Objectives of Fiscal Policy

(i) Economic Stability

To control inflation and deflation.

(ii) Reduction of Inequality

Through progressive taxation and welfare expenditure.

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. Aggregate Demand

Aggregate Demand (AD) is the total demand for goods and services in an economy at a given price level during a period.

Formula:

$$AD = C + I + G + (X - M)$$

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
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16. Difference between Central Bank and Commercial Bank

Central Bank	Commercial Bank
Issues currency	Accepts deposits
Controls credit	Provides loans
Banker to government	Profit motive

17. Problem of Double Counting

Double counting means counting the value of intermediate goods multiple times while calculating national income.

Avoided By:

1. Value Added Method
 2. Final goods approach
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Part D – Long Answer

18. Determination of Equilibrium Income (AD-AS Model)

Meaning:

Equilibrium income is determined where AD equals AS.

Explanation:

- If $AD > AS \rightarrow$ Inflation
- If $AD < AS \rightarrow$ Deflation
- Intersection gives equilibrium level of income and employment.

(Draw AD and AS curves intersecting at equilibrium point.)

19. Measures Taken by RBI to Control Inflation

Quantitative Measures:

1. Increase Repo Rate

2. Increase CRR
3. Open Market Operations (sale of securities)

Qualitative Measures:

1. Credit rationing
 2. Moral suasion
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SECTION B – INDIAN ECONOMIC DEVELOPMENT

Part A – MCQs (Answers)

20. (b) 1951–56
 21. (c) Wheat and Rice
 22. (b) Hidden unemployment
 23. (b) Agriculture
 24. (c) Private ownership
 25. (c) Health, Education and Income
 26. (a) Liberalisation, Privatisation, Globalisation
 27. (c) 100 days
 28. (b) 1991
 29. (d) All of these
 30. (b) 1995
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Short Answer

31. Objectives of Economic Planning

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

4. Modernisation
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32. Causes of Urban Unemployment

1. Rural-urban migration
 2. Slow industrial growth
 3. Lack of technical skills
 4. Population growth
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33. Role of Infrastructure

1. Promotes industrial growth
 2. Increases productivity
 3. Attracts investment
 4. Improves standard of living
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34. Poverty Line

Poverty line is the minimum income required to satisfy basic needs.

Basis:

Determined on the basis of calorie intake and minimum consumption expenditure.

Long Answer

35. Achievements and Failures of Green Revolution

Achievements:

1. Increased food production
2. Self-sufficiency
3. Modernisation of agriculture

Failures:

1. Regional imbalance

2. Environmental degradation
 3. Income inequality
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36. Features and Impact of New Economic Policy 1991

Features:

1. Liberalisation
2. Privatisation
3. Globalisation

Impact:

1. Economic growth
 2. Increased foreign investment
 3. Expansion of service sector
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37. Employment Generation Programmes

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