

**CBSE CLASS 12**  
**ANSWER KEY (SET-7)**  
**Subject: Economics**

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**SECTION A – MACROECONOMICS**

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**Part A – MCQs (Answers)**

1. (a) GNP – Depreciation
  2. (c) 4
  3. (b) Pension
  4. (b) Commercial Banks
  5. (a) Borrowing requirements of government
  6. (b) Consumption of fixed capital
  7. (c) Rate of interest
  8. (c) Export and import of goods
  9. (b)  $AD > AS$  at full employment
  10. (c) Tax revenue
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**Part B – Short Answer**

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**11. Gross National Product at Factor Cost (GNP at FC)**

**Meaning:**

GNP at FC refers to the total value of final goods and services produced by the residents of a country during a year, measured at factor cost.

**Formula:**

$GNP\ at\ FC = GNP\ at\ MP - Indirect\ Taxes + Subsidies$

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## 12. Objectives of Government Budget

1. Economic Stability – Control inflation and deflation.
  2. Reduction of Inequality – Through progressive taxation and welfare schemes.
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## 13. Difference between Balance of Trade and Balance of Payments

### Balance of Trade

Difference between exports & imports of goods

Narrow concept

Goods only

### Balance of Payments

Record of all international transactions

Broad concept

Goods, services & capital

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## 14. Marginal Propensity to Save (MPS)

### Meaning:

MPS refers to the proportion of additional income that is saved.

### Formula:

$$\text{MPS} = \Delta S / \Delta Y$$

Value of MPS lies between 0 and 1.

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## Part C – Short Answer

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### 15. Determination of Equilibrium Income (Savings–Investment Approach)

Equilibrium income is determined where Savings (S) equals Investment (I).

- If  $S > I \rightarrow$  Income falls
- If  $S < I \rightarrow$  Income rises
- Equilibrium at  $S = I$

(Draw S and I curves intersecting at equilibrium point.)

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## 16. Difference between Direct and Indirect Taxes

### Direct Taxes

Paid directly to government

Example: Income Tax

Burden cannot be shifted

### Indirect Taxes

Shifted to others

Example: GST

Burden can be shifted

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## 17. Functions of Central Bank

1. Issue of currency
  2. Banker to government
  3. Banker's bank
  4. Controller of credit
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## Part D – Long Answer

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### 18. National Income by Value Added Method

#### Meaning:

This method sums up value added by each production unit.

#### Steps:

1. Calculate value of output.
2. Subtract intermediate consumption.
3. Add all value added.

National Income = Sum of Value Added + NFIA (if required)

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### 19. Monetary Policy Measures to Control Deflation

1. Decrease repo rate
2. Reduce CRR and SLR
3. Open Market Operations (purchase of securities)

4. Credit expansion

These measures increase money supply and aggregate demand.

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## **SECTION B – INDIAN ECONOMIC DEVELOPMENT**

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### **Part A – MCQs (Answers)**

20. (b) Second Plan
  21. (b) Milk production
  22. (b) Agriculture
  23. (b) Industrial sector
  24. (b) Removal of licensing system
  25. (c) Health, Education and Income
  26. (b) 1991
  27. (d) All of these
  28. (b) Calorie intake
  29. (c) 100 days
  30. (b) 1995
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### **Short Answer**

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#### **31. Objectives of Five Year Plans**

1. Economic growth
  2. Self-reliance
  3. Modernisation
  4. Poverty reduction
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#### **32. Causes of Rural Unemployment**

1. Seasonal agriculture
  2. Lack of rural industries
  3. Population growth
  4. Low productivity
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### **33. Role of Foreign Trade**

1. Earns foreign exchange
  2. Promotes economic growth
  3. Access to advanced technology
  4. Encourages competition
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### **34. Sustainable Development**

Development that meets present needs without harming future generations.

#### **Importance:**

1. Environmental protection
  2. Resource conservation
  3. Long-term growth
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## **Long Answer**

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### **35. Achievements and Limitations of Green Revolution**

#### **Achievements:**

1. Increased food production
2. Self-sufficiency
3. Modern farming techniques

#### **Limitations:**

1. Regional imbalance
2. Environmental damage

3. Income inequality
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### **36. Features and Impact of LPG Reforms**

#### **Features:**

1. Liberalisation
2. Privatisation
3. Globalisation

#### **Impact:**

1. Increased foreign investment
  2. Higher competition
  3. Growth of service sector
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### **37. Poverty Alleviation Programmes**

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

These programmes aim to reduce poverty and generate employment.