

**CBSE CLASS 12**  
**ANSWER KEY (SET-9)**  
**Subject: Economics**

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**SECTION A – MACROECONOMICS**

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**Part A – MCQs (Answers)**

1. (b) Value of final goods and services within domestic territory
  2. (b) 2
  3. (d) Old age pension
  4. (b) Monetary policy
  5. (b) Fiscal deficit – Interest payments
  6. (b) Export & import of goods
  7. (c) Wealth
  8. (b)  $AD < AS$  at full employment
  9. (b) Income and Consumption
  10. (b) Capital receipts
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**Part B – Short Answer**

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**11. Net National Product at Factor Cost (NNP at FC)**

**Meaning:**

NNP at FC refers to the total value of final goods and services produced by the residents of a country during an accounting year after deducting depreciation and adjusting indirect taxes and subsidies.

**Formula:**

NNP at FC = GNP – Depreciation – Indirect Taxes + Subsidies

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## 12. Functions of RBI

1. Issue of currency
2. Banker to Government
3. Controller of credit
4. Custodian of foreign exchange

(Any two explained in exam.)

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## 13. Difference between Revenue Deficit and Fiscal Deficit

Revenue Deficit	Fiscal Deficit
Revenue Expenditure – Revenue Receipts	Total Expenditure – Total Receipts (excluding borrowings)
Shows current income shortfall	Shows total borrowing requirement

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## 14. Marginal Propensity to Consume (MPC)

### Meaning:

MPC is the proportion of additional income spent on consumption.

### Formula:

$$MPC = \Delta C / \Delta Y$$

Value lies between 0 and 1.

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## Part C – Short Answer

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### 15. Inflationary Gap

Inflationary gap occurs when Aggregate Demand exceeds Aggregate Supply at full employment level.

### Effects:

- Rise in prices
  - Demand-pull inflation
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## 16. Difference between Central Bank and Commercial Bank

**Central Bank    Commercial Bank**

Issues currency    Accepts deposits

Controls credit    Provides loans

No profit motive    Profit motive

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## 17. Components of Aggregate Demand

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

1. Consumption
  2. Investment
  3. Government Expenditure
  4. Net Exports
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## Part D – Long Answer

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### 18. 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.)

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### 19. Measures to Reduce Fiscal Deficit

1. Increase tax revenue

2. Reduce government expenditure
  3. Disinvestment
  4. Control subsidies
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## **SECTION B – INDIAN ECONOMIC DEVELOPMENT**

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### **Part A – MCQs (Answers)**

20. (b) Heavy industries
  21. (c) Milk
  22. (a) Agriculture
  23. (c) Agriculture
  24. (a) Removal of restrictions
  25. (c) Health, education and income
  26. (b) 1991
  27. (c) 100 days
  28. (b) Calorie intake
  29. (a) Industrial sector
  30. (b) 1995
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### **Short Answer**

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#### **31. Objectives of Economic Planning**

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

1. Rapid population growth
  2. Unemployment
  3. Low productivity
  4. Inequality
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### **33. Importance of Infrastructure**

1. Promotes industrial growth
  2. Improves productivity
  3. Attracts investment
  4. Raises living standards
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### **34. Sustainable Development**

Development that meets present needs without compromising future generations.

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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. Use of modern inputs

#### **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. Competition
  3. Growth of service sector
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**37. Major Poverty Alleviation Programmes**

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

These programmes help reduce poverty and generate employment.