

# ECONOMICS (856)

## Aims:

1. To enable candidates to acquire knowledge (information) and develop an understanding of facts, terms, concepts, conventions, trends, principles, generalisations, assumptions, hypotheses, problems, processes, etc. in Economics.
2. To acquaint candidates with tools of economic analysis.
3. To develop an understanding of important economic problems.
4. To acquaint candidates with the main institutions through which the productive process is carried out.
5. To develop an understanding of the role of institutions in the functioning of an economy.
6. To enable candidates to compare their own economic structure with that of the other areas of the world.

## CLASS XI

*There will be one paper of 3 hours duration of 100 marks divided into 2 parts.*

**Part 1 (30 marks)** will consist of **compulsory** short answer questions testing knowledge, application and skills relating to elementary/ fundamental aspects of the entire syllabus.

**Part 2 (70 marks)** will consist of **eight** questions out of which the candidate will be required to answer **five** questions. Each question in this part shall carry 14 marks.

**Note:** The syllabus is intended to reflect a study of the theory of Economics with specific reference to the Indian Economy. Therefore, examples and specific references to the Indian Economy must be made wherever relevant.

### 1. Understanding Economics

- (i) Definitions of Economics: Adam Smith, Alfred Marshall, Lionel Robbins, Samuelson.
- (ii) Basic concepts: utility, price, value, wealth, welfare, money, market, investment, income, production, consumption, savings, etc.
- (iii) Basic problems of an economy: what to produce; how to produce; for whom to produce; efficient use of resources; economic growth and development.

- (iv) Types of economies: developed, under developed and developing; capitalism, socialism and mixed economy; mechanism used to solve the basic problems faced by each economy.

### 2. Problems of Indian Economy

- (i) Population: theories of population (Malthusian and Optimum); demographic transition; population growth over the years; census of 2001; age, sex composition; density of population and occupational distribution; the current National Policy on Population. Overpopulation and under population - merits and demerits.
- (ii) Problem of unemployment: meaning, types; causes and measures to remove unemployment; Government measures to remove unemployment.
- (iii) Poverty: Meaning of poverty line; vicious circle of poverty; causes of poverty; attempted solutions including governmental measures.
- (iv) Inequalities in income distribution; causes; consequences and measures to reduce inequalities.
- (v) Indian Agriculture: role of agriculture in Indian Economy; Indian agricultural policy: an overview; importance of land reforms, agricultural inputs and Green Revolution;

sources of agricultural finance; institutional and non-institutional; food security; public distribution system in India; flaws in food security system.

- (vi) Industrial sector: role and performance of public sector in Indian economy; problems of public sector enterprises; the issue of privatization.
- (vii) Capital formation in India: why the rate of savings and capital formation are low in India.

### 3. Money and Banking

- (i) Money: meaning, functions of money.
- (ii) Banks: functions of commercial bank; credit creation by commercial banks; Central Bank: need, functions; Central Bank as a controller of credit.
- (iii) Inflation: causes, cost-push; demand-pull; effects of inflation on different groups of society; monetary measures to control inflation.

### 4. Statistics

- (i) Statistics: definition, scope and limitations of statistics.
- (ii) Measures of Central Value: average defined; type of averages: arithmetic mean; simple and weighted; median and mode; ungrouped and grouped data; numericals, relationship between mean, median and mode.
- (iii) Measures of dispersion: definition, methods of studying variation - range; standard deviation; the mean or average deviation; coefficient of variation; the Lorenz curve.
- (iv) Correlation: introduction, scatter diagram; Karl Pearson's coefficient of correlation; Spearman's coefficient of correlation.
- (v) Index numbers: simple and weighted - meaning, types and purpose. Problems involved in constructing a Price Index Number.

## CLASS XII

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**Part 2 (70 marks)** will consist of **eight** questions out of which the candidate will be required to answer **five** questions. Each question in this part shall carry 14 marks.

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### 1. Micro Economic Theory

- (i) Meaning of micro and macro economics: meaning, difference only.
- (ii) Demand: meaning. Classification of factors on which demand depends. Law of demand; derivation of demand curve; movement and

shift of the demand curve; determinants of demand; exceptions to the law of demand; indifference curve analysis: meaning, indifference curve and map; marginal rate of substitution; properties of indifference curve; budget-line (meaning only). Comparison of utility and IC analysis.

- (iii) Elasticity of Demand: meaning, types of elasticity of demand; measurement of elasticity of demand; factors affecting elasticity of demand; importance of the concept of elasticity of demand.
- (iv) Supply: meaning; difference between stock and supply; time period and supply; law of supply; movement and shift of the supply curve; determinants of supply, elasticity of supply.
- (v) Concept of product and production function: returns to a factor, total, average and marginal physical products; law of variable proportions and its three stages; returns to scale.
- (vi) Equilibrium price, and effect of changes in demand and supply on the Equilibrium Price.

- (vii) Revenue and cost: meaning of total, average and marginal revenue. Relationship between AR and MR under perfect, imperfect competition and monopoly. Fixed and variable cost. Total, average and marginal cost and their relationship. Opportunity cost: definition, application: explicit and implicit cost: short run and long run cost curve; internal and external economies equilibrium of the firm.
- (viii) Main market forms: perfect competition, imperfect competition; oligopoly, monopoly - characteristics of the various market forms; equilibrium of firm under short run and long run under various market forms.
- (ix) The theory of Distribution: Marginal Productivity Theory of Distribution: Wages: determination of wages under marginal productivity theory and modern theory: Collective bargaining. Rent: Ricardian theory of rent, economic rent, transfer earning; Interest: gross and net; Profit: gross and net.

## **2. National Income**

- (i) Circular flow of Income.
- (ii) Nature of goods and services produced.
- (iii) Concepts and definition of NY, GNP, GDP, NNP, private income, personal income, personal disposable income, and per capita income; relationship between the income concepts.
- (iv) Methods of measuring National Income: product or value-added method; income method and expenditure method with simple numericals based on only “operating surplus and compensation of employees.”

## **3. International Trade**

- (i) Need for international trade; basis of international trade in terms of the theory of comparative costs (Ricardo).
- (ii) Balance of Payments: Balance of Trade: meaning; causes of disequilibrium in B.O.P.; measures to correct the disequilibrium in the B.O.P.

## **4. Public Finance**

- (i) Public Revenue: meaning; Taxes: types, direct, indirect taxes, merits and demerits; progressive, proportional, regressive, digressive (meaning only). Sources of central and state revenue (names only); VAT.
- (ii) Public Expenditure: meaning, reasons for growth of public expenditure in recent times.
- (iii) Public Debt: reasons for external and internal borrowing by the government.; methods of debt redemption; effects of borrowing on the Indian economy.
- (iv) Fiscal Policy: Meaning and instruments of fiscal policy. Fiscal measures to control inflation.
- (v) Deficit Financing: the “why”, “how” and effects of deficit financing; Indian compulsion for deficit financing. Types of deficit. An understanding of: Revenue deficit, Fiscal deficit and Budget deficit.
- (vi) Budget: need, types, budgetary procedure: preparation, enactment, execution and parliamentary control over finance), in brief.