

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) Definition of Economics: Adam Smith, Alfred Marshall, Lionel Robbins, Samuelson.
- (ii) Basic concepts: utility, price, value, wealth, welfare, money, market, capital, investment, income, production, consumption, saving.
- (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; Economic systems: capitalism, socialism and mixed economy; mechanism used to solve the basic problems faced by each economy.

2. Indian Economy - Challenges

- (i) Population: Theories of Population (Malthusian and Optimum); Theory of 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 post 1991. Basic knowledge of the concept of full employment.
- (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 - an overview; Indian agricultural policy; importance of land reforms, agricultural inputs and Green Revolution, modern agricultural practices; sources of agricultural finance: institutional vs. non-institutional; food security; public distribution system in India.

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

3. Money and Banking

- (i) Money: meaning, functions of money.
- (ii) Banks: functions of commercial bank; reserve money, credit creation by commercial banks; Central Bank: need, functions.
- (iii) Inflation: definition, types, causes: cost-push, demand-pull; effects of inflation on different groups of society; fiscal, monetary and other 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.
- (ii) Demand: meaning, factors affecting demand; Demand function; Law of Demand; derivation of demand curve; movement and shift of the demand curve; exceptions to the Law of Demand.

Law of Diminishing Marginal Utility, Law of Equimarginal Utility, consumers equilibrium through utility approach.

- (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; determinants of supply; time period and supply; Law of Supply; movement and shift of the supply curve; elasticity of supply
- (v) Equilibrium price and effect of changes in demand and supply on the equilibrium price.
- (vi) 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.
- (vii) Main market forms: perfect competition, monopolistic competition, oligopoly, monopoly; characteristics of the various market forms; equilibrium of firm under short run and long run under perfect competition.

- (viii) Cost and revenue: Basic concepts of cost; fixed cost, variable cost, total cost, marginal cost and average cost – their relationships; opportunity cost; short run and long run cost curves – internal and external economies and diseconomies. Revenue: meaning; average revenue, marginal revenue and total revenue and their relationships under perfect competition and imperfect competition.
- (ix) Factor pricing: basic concepts of rent, wages, interest and profit.

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 them.

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, canons of taxation; 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, objectives and instruments of fiscal policy.
- (v) Deficit Financing: meaning, types of deficit, “why” deficit financing and effects of deficit financing. Indian compulsion for deficit financing.
- (vi) Budget: meaning, importance and types; budgetary procedure: preparation, enactment, execution and parliamentary control over finance, in brief.