



**Syllabus for Class 12**

**Economics**

*Punjab School Education Board*

## ECONOMICS (HUMANITIES/COMMERCE GROUP)

CLASS – XII

2024-25

Time Allowed: 3 Hours

Theory: 80 Marks

Internal Assessment including Project Work: 20 Marks

### PART A: INTRODUCTORY MICRO ECONOMICS

#### UNIT-1 INTRODUCTION

A Simple Economy, Central Problems of an Economy, Organisation of Economic Activities, The Centrally Planned Economy, The Market Economy, Positive and Normative Economics, Microeconomics and Macroeconomics

#### UNIT-2 THEORY OF CONSUMER BEHAVIOUR

**Utility Analysis:** Cardinal Utility Analysis, Ordinal Utility Analysis, The Consumer's Budget, Budget Set and Budget Line, Changes in the Budget Set, Optimal Choice of the Consumer.

**Demand:** Demand Curve and the Law of Demand. Deriving a Demand Curve from Indifference Curves and Budget Constraints, Normal and Inferior Goods, Substitutes and Complements, shifts in the Demand Curve, Movements along the Demand Curve and Shifts in the Demand Curve, Market Demand.

**Elasticity of Demand:** Elasticity along a Linear Demand Curve, Factors Determining Price Elasticity of Demand for a Good, Elasticity and Expenditure.

#### UNIT-3 PRODUCTION AND COSTS

**Production Function:** The Short Run and the Long Run, Total Product, Average Product and Marginal Product, The Law of Diminishing Marginal Product and the Law of Variable Proportions, Shapes of Total Product, Marginal Product and Average Product Curves, Returns to Scale.

**Costs:** Short Run Costs, Long Run Costs.

#### UNIT-4: THE THEORY OF THE FIRM UNDER PERFECT COMPETITION

Perfect Competition: Defining Features, Revenue and Profit Maximization, The Profit Maximization Problem: Graphical Representation, Supply Curve of a Firm: Short run and long run supply curve, Shut down point, normal profit and break-even point.

Determinants of a Firm's Supply Curve: Technological Progress and Input Prices, Market Supply Curve, Price Elasticity of Supply.

#### UNIT-5 MARKET EQUILIBRIUM

Equilibrium, Excess Demand, Excess Supply, Market Equilibrium: Fixed Number of Firms and Free Entry and Exit.

Applications of Price Ceiling and Price Floor.

Unit-6 Non-Competitive Markets

## **PART B: INTRODUCTORY MACRO ECONOMICS**

### **UNIT-1 INTRODUCTION**

Introduction and Emergence of Macroeconomics

### **UNIT-2 NATIONAL INCOME ACCOUNTING**

Some Basic Concepts of Macroeconomics, Circular Flow of Income and Methods of Calculating National Income: The Product or Value-Added Method, Expenditure Method and Income Method. Concepts of Factor Cost, Basic Prices and Market Prices.

Some Macroeconomic Identities, Nominal and Real GDP, GDP and Welfare

### **UNIT-3 MONEY AND BANKING**

Functions of Money, Demand for Money and Supply of Money, Money Creation by Banking System:

Balance Sheet of a Fictional Bank, Limits to Credit Creation and Money Multiplier. Policy Tools to Control Money Supply.

### **UNIT-4 DETERMINATION OF INCOME AND EMPLOYMENT**

Aggregate Demand and its Components: Consumption, Investment. Determination of Income in Two-sector Model.

Determination of Equilibrium Income in the Short Run: Macroeconomic equilibrium with price level fixed, Effect of an autonomous change in aggregate demand on income and output. The Multiplier Mechanism.

### **UNIT- 5 GOVERNMENT BUDGET AND THE ECONOMY**

Government Budget – Meaning and its Components, Objectives of Government Budget, Classification of Receipts, Classification of Expenditure, Balanced, Surplus and Deficit Budget, Measures of Government Deficit.

### **UNIT-6 OPEN ECONOMY MACROECONOMICS**

**Balance of Payments:** Current Account, Capital Account, Balance of Payments Surplus and Deficit. **The Foreign Exchange Market:** Foreign Exchange Rate, Determination of the Exchange Rate, Merits and Demerits of Flexible and Fixed Exchange Rate Systems, Managed Floating.