



The Savvy Humanities

SIMPLIFYING MINDS, SHAPING THINKERS

CLASS 12 · CBSE 2026-27 SYLLABUS

Complete subject

Economics

Introductory Macroeconomics and Indian Economic Development (030)

196

pages of notes

8

units, two parts

120

board questions solved

80 / 80

theory marks covered

What's inside

- Part A: Introductory Macroeconomics
- Part B: Indian Economic Development
- Eight mind maps and 28 hand-drawn figures
- Every numerical worked step by step
- Formulae at a glance for every unit
- One combined glossary — 188 key terms
- One question bank — 120 model answers
- Textbook slips corrected and flagged

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Handwritten-style, for revision

Every page inside is handwritten-style with highlighting, boxes and a mind map — built to be read the night before, not skimmed.



Contents

The whole CBSE Class 12 Economics course (subject code 030) for the **80-mark** board paper: Part A, *Introductory Macroeconomics*, and Part B, *Indian Economic Development* — all eight units of the 2026-27 syllabus, in CBSE's order, with CBSE's marks for each.

Unit	Title	Marks	Page
Part A — Introductory Macroeconomics (40 marks)			
1	National Income and Related Aggregates	10	6
2	Money and Banking	6	23
3	Determination of Income and Employment	12	33
4	Government Budget and the Economy	6	52
5	Balance of Payments	6	62
Part B — Indian Economic Development (40 marks)			
6	Development Experience (1947-90) and Economic Reforms since 1991	12	75
7	Current Challenges facing Indian Economy	20	94
8	Development Experience of India – A Comparison with Neighbours	8	125
My Class 12 Economics tracker — all eight units on one page			2
Combined glossary — 188 key terms, tagged by unit			138
Question bank — 120 solved questions, grouped by unit			146



PART A · INTRODUCTORY MACROECONOMICS — 10 MARKS OF 80

Unit 1

National Income and Related Aggregates

What the paper wants from this unit

Unit 1 carries 10 marks of the 80-mark board paper; Section A is 40, Section B 40, and project work 20 more. The board paper has 20 MCQs of 1 mark and questions of 3, 4 and 6 marks. From this unit expect MCQs on final and intermediate goods, stocks and flows and real and nominal GDP; a numerical finding GDP or national income by two methods and showing they agree; a step between the aggregates (market price to factor cost, domestic to national); and a short answer on the GDP deflator or on why GDP does not measure welfare. Fifteen questions chosen for the paper's pattern are solved in the question bank at the back of this book.

Your revision tracker

Three ticks across a row means that topic is exam-ready.

Syllabus topic	Read	Practised	Revised
What is macroeconomics	☐	☐	☐
Consumption, capital, final and intermediate goods	☐	☐	☐
Stocks and flows	☐	☐	☐
gross investment and depreciation	☐	☐	☐
Circular flow of income (two-sector model)	☐	☐	☐
Value added, expenditure and income methods	☐	☐	☐
GNP, NNP, GDP, NDP at market price and factor cost	☐	☐	☐
Real and nominal GDP, GDP deflator	☐	☐	☐
GDP and welfare	☐	☐	☐



Unit at a Glance — Mind Map

National Income and Related Aggregates

Macroeconomics

- Economy as a whole
- Keynes, General Theory, 1936
- Great Depression of 1929
- Four sectors of economy

Circular flow

- Households and firms only
- Money and real flows
- Measured at A, B, C
- No leakage, flows equal

Eight aggregates

- $GNP = GDP + NFIA$
- Net = Gross – Depreciation
- $FC = MP - NIT$
- National income = NNPF

Real GDP

- Nominal at current prices
- Real at base-year prices
- Deflator = Nominal $\div$ Real
- CPI and WPI

Basic concepts

- Final versus intermediate goods
- Consumption goods, capital goods
- Stocks versus flows
- Net investment: gross minus depreciation

Three methods

- Product: sum of GVA
- Expenditure: $C + I + G + X - M$
- Income: $W + P + In + R$
- Market price adds net taxes

Household incomes

- PI leaves out undistributed profits
- PDI: PI minus taxes
- NDI adds current transfers
- Private income

GDP and welfare

- Uneven distribution of GDP
- Non-monetary exchanges left out
- Externalities have no market



Where This Unit Sits

Macroeconomics studies the economy as a whole. This unit gives its basic ideas — final and intermediate goods, stocks and flows, investment and depreciation — then measures national income by **three methods** and builds the **aggregates** (GDP, GNP, NDP, NNP) from them. It ends with real GDP, the GDP deflator and why GDP is not the same as welfare.

Sections	What they teach	NCERT
1 to 4	Macroeconomics and the measurement of national income	Macroeconomics, Chapter 1 and Chapter 2, sections 2.1–2.2
5 to 8	Aggregates, real GDP and welfare	Chapter 2, sections 2.3–2.5

Marks

Unit 1 carries **10 marks** of the 80-mark board paper — a quarter of Section A.

Exam tip

Every board paper has a national-income numerical. Write the method's formula first, leave out what must not be counted (intermediate goods, transfers, second-hand sales), show each step and give the answer in crore rupees.

1. What Is Macroeconomics?

Outputs, prices and employment of different goods tend to **move together**, so macroeconomics can study one imaginary **representative good** — or a handful, such as agricultural goods, industrial goods and services.

Macroeconomics

The branch of economics that deals with the **aggregate economic variables** of an economy — total output, the general price level, employment — and the **interlinkages between its sectors**.

Basis	Microeconomics	Macroeconomics
Studies	Individual markets of demand and supply	The economy as a whole
Decision-makers	Individual economic agents : consumers, producers, even a large company	The State and statutory bodies such as the RBI and SEBI
Their aim	Maximum private profit or satisfaction	Public goals set by law or the Constitution: employment, education, health, defence, administration
Inflation and unemployment	Taken as given	The central questions



Macroeconomics was needed because some markets did not exist, some failed to reach equilibrium, and society chose social goals of its own.

Emergence of macroeconomics

Before Keynes, the **classical tradition** held that every labourer ready to work finds a job and every factory works at full capacity. The **Great Depression of 1929** broke this belief. In the USA, from 1929 to 1933, the **unemployment rate** rose from 3 per cent to 25 per cent and aggregate output fell by about 33 per cent. (Unemployment rate = people not working but seeking jobs ÷ people working or seeking jobs.)

Macroeconomics emerged as a separate branch after John Maynard Keynes published *The General Theory of Employment, Interest and Money* in 1936. He examined the economy as a whole and the interdependence of its sectors.

The economy NCERT studies

NCERT studies a **capitalist economy**, with three features: **private ownership of the means of production**, **production for sale in the market**, and **sale and purchase of labour services at a wage rate** (wage labour). The entrepreneur hires labour, capital and land, pays wages, interest and rent from sales **revenue** and keeps the rest as **profit**, often spent on new machines (**investment expenditure**).

A slip in the textbook

NCERT's Chapter 1 says "the above mentioned **four** criteria" but lists **three**, (a) to (c). Learn three.

Sector	Who it is	What it does
Households	One person, or a group deciding consumption jointly	Supply factors and earn from them; consume, save, pay taxes
Firms	Production units run by entrepreneurs	Hire factors, produce, sell for profit
Government	The State	Makes and enforces laws, taxes, builds infrastructure, runs schools and hospitals, sometimes produces
External sector	The rest of the world	Buys exports, sells imports, sends or receives capital

2. Basic Concepts of Macroeconomics

Final and intermediate goods

Final good

A good meant for **final use** that will not pass through any more stages of production or transformation by a producer.

**Intermediate goods**

Goods used by producers as **material inputs** — raw materials used up in producing other goods.
Examples: steel sheets for automobiles, copper for utensils.

It is not the nature of a good but the economic nature of its use that makes it final. Tea leaves bought by a household are final, though brewed at home (home cooking is not an economic activity); bought by a restaurant that sells the tea, they are **intermediate**.

GDP counts **final goods only**: their value already includes the inputs, so counting intermediate goods too is **double counting**.

Consumption goods, capital goods and consumer durables

Kind of final good	Meaning	NCERT's examples
Consumption goods	Consumed when bought by their ultimate consumers (services included)	Food, clothing, recreation
Capital goods	Durable goods used in production; not transformed themselves; wear out and are repaired or replaced	Tools, implements, machines
Consumer durables	Bought for consumption but long-lived, needing repairs, like machines	Television sets, automobiles, home computers

Durable is not the same as capital

A car is a **consumer durable** for a household and a **capital good** for a taxi firm: both **durable**, differing only in end user.

Stocks and flows**Flow and stock**

A **flow** is defined **over a period of time** (per day, per year). A **stock** is defined **at a particular point of time**.

Flows	Stocks
Income, output, profits	Capital (machines, buildings)
Net investment (capital added this year)	Inventory on 31 March
Depreciation, change in inventories	Water in a tank at 10 a.m.
Water entering a tank per minute	Wealth

A change in a stock is a flow: a machine stays in the capital stock for years but is in the flow of new machines only in the year it is installed.