

LAST-HOUR CRAM SHEET · Economics

CBSE Class 12 Economics (030) · Macro 40 + Indian Economic Development 40 · Read this in the 60 minutes before you walk in

A. The Paper at a Glance

Part	Unit	Marks	Topic
A — Introductory Macroeconomics (40)	1	10	National Income and Related Aggregates
	2	6	Money and Banking
	3	12	Determination of Income and Employment ← largest macro unit
	4	6	Government Budget and the Economy
	5	6	Balance of Payments
B — Indian Economic Development (40)	6	12	Development Experience 1947-90 and Reforms since 1991
	7	20	Current Challenges ← LARGEST UNIT IN THE PAPER
	8	8	Comparison with Neighbours

STRATEGY Unit 7 alone is 20 marks and is almost pure definitions plus examples — the highest marks-per-hour in the whole paper. Unit 3 (12) is the biggest numerical block. Do those two first.

B. Every Macro Formula in One Place

NATIONAL INCOME

Domestic → National: + NFIA | Gross → Net: – Depreciation | MP → FC: – NIT

NIT = Indirect Taxes – Subsidies

National Income = NNP_{FC}

Value Added: GVA_{MP} = Value of Output – Intermediate Consumption

Value of Output = Sales + Change in Stock

Income: NDP_{FC} = Compensation of Employees + Operating Surplus + Mixed Income

Operating Surplus = Rent + Royalty + Interest + Profit

Expenditure: $GDP_{MP} = C + I + G + (X - M)$

GDP Deflator = $(\text{Nominal GDP} \div \text{Real GDP}) \times 100$

MONEY AND BANKING

M1 = Currency with public + Demand deposits + Other deposits with RBI

Money Multiplier = $1 \div \text{LRR}$ $\text{LRR} = \text{CRR} + \text{SLR}$

Total Deposit Creation = Initial Deposit $\times 1/\text{LRR}$

INCOME AND EMPLOYMENT

$\text{AD} = \text{C} + \text{I}$ | $\text{AS} = \text{Y} = \text{C} + \text{S}$ | Equilibrium: $\text{AD} = \text{AS}$ or $\text{S} = \text{I}$

$\text{C} = \bar{\text{C}} + b\text{Y}$ | $\text{S} = -\bar{\text{C}} + (1-b)\text{Y}$

$\text{APC} = \text{C}/\text{Y}$ $\text{APS} = \text{S}/\text{Y}$ $\text{MPC} = \Delta\text{C}/\Delta\text{Y}$ $\text{MPS} = \Delta\text{S}/\Delta\text{Y}$

$\text{APC} + \text{APS} = 1$ $\text{MPC} + \text{MPS} = 1$

Multiplier $k = 1/(1-\text{MPC}) = 1/\text{MPS}$ $\Delta\text{Y} = k \times \Delta\text{I}$

BUDGET

Revenue Deficit = Revenue Expenditure – Revenue Receipts

Fiscal Deficit = Total Expenditure – Total Receipts excluding borrowings

Primary Deficit = Fiscal Deficit – Interest Payments

Fiscal Deficit = Total Borrowings

BoP AND OTHERS

Balance of Trade = Export of goods – Import of goods

Worker-Population Ratio = (Total Workers ÷ Total Population) × 100

Head Count Ratio = (Number of poor ÷ Total population) × 100

C. The Include / Exclude List (National Income)

EXCLUDE	INCLUDE
Old-age pension, scholarship, unemployment allowance (transfers)	Retirement pension from employer (<i>factor income</i>)
Lottery win, capital gains	Commission/brokerage on second-hand sales
Sale of second-hand goods and shares	Imputed rent of owner-occupied house
Intermediate goods	Own-account production of goods
Services of a housewife	Final goods bought by households
Illegal income	Investment by firms

D. Rules You Must Not Get Wrong

MEMORISE EXACTLY

- Final vs intermediate depends on USE, not the good. Milk to a household = final; milk to a sweet shop = intermediate.
- APC can exceed 1 (dis-saving). MPC always lies between 0 and 1.
- Higher MPC $\rightarrow$ bigger multiplier. Multiplier ranges from 1 to infinity.
- Higher LRR $\rightarrow$ smaller money multiplier $\rightarrow$ less credit creation.
- Inflation $\rightarrow$ RAISE all rates/ratios, SELL securities. Deflation $\rightarrow$ the reverse.
- Revenue receipt: no liability AND no asset reduction. Capital receipt: creates liability OR reduces asset.
- Recovery of loan = CAPITAL. Interest received = REVENUE.
- Interest PAYMENT = revenue expenditure. Loan REPAYMENT = capital expenditure.
- Fiscal deficit excludes borrowings from receipts. If your FD is zero, you included them.

- Depreciation = market forces.
Devaluation = government decision.
- Current account = no claim created.
Capital account = claim created or settled.
- BoP always balances in the accounting sense; deficit is measured on autonomous items only.
- Poverty line: 2400 calories rural, 2100 urban.
- China → manufacturing. India → services (skipped manufacturing).

E. Master Question Triggers

Question wording	Answer	Ch
"at current prices" / "at base year prices"	Nominal / Real GDP	1
"old-age pension received"	Exclude — transfer payment	1
"LRR 20%, deposit ₹10,000"	Multiplier 5 → ₹50,000	2
"RBI raised CRR"	Credit creation falls	2
" $C = 100 + 0.8Y$, $I = 200$ "	$Y = C + I \rightarrow Y = 1,500$	3
"involuntary unemployment exists"	Deficient demand → deflationary gap	3
"AD exceeds AS at full employment"	Excess demand → inflationary gap	3

"disinvestment of a PSU"	Capital receipt	4
"interest paid on public debt"	Revenue expenditure	4
"primary deficit is zero"	Borrowing only for past interest	4
"software exported to the USA"	Current account (invisible)	5
"FDI by a foreign firm"	Capital account	5
"₹ moved 74 → 78 per \$"	Depreciation	5
"HYV seeds, irrigation, fertiliser"	Green Revolution	6
"forex reserves for two weeks"	1991 crisis → reason for reforms	6
"short-run measures to correct BoP"	Stabilisation measures	6
"five work where three are needed"	Disguised unemployment	7
"education as a basic right"	Human development, not human capital	7
"100 days guaranteed employment"	MGNREGA	7
"Great Leap Forward"	China, 1958	8
"one-child policy"	China — lowest population growth	8

F. How to Write for Marks

Marks	What the examiner wants
1	A formula, a definition, or one term. No explanation.
3	Three points, or a numerical with the formula shown.

4	Four points with bold headings, or a full numerical with working. Diagram if the topic has one.
6	Six points + example, or a complete numerical checked two ways. Evaluate questions need both sides plus a verdict.
Diagrams	Exchange rate determination · AD-AS equilibrium · consumption and saving curves — each carries a mark on its own.

THE THREE CHECKS THAT SAVE QUESTIONS —

- 1.** Solve every equilibrium numerical twice — by $Y = C + I$ and by $S = I$. They must agree.
- 2.** For include/exclude items, always write the **reason**, not just the verdict.
- 3.** For fiscal deficit, confirm you **excluded borrowings** from receipts.