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Class 12 Economics

Microeconomics & Macroeconomics

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Microeconomics

- The law of demand: price and quantity demanded move in opposite directions.
- Price elasticity of demand measures responsiveness of demand to a price change.
- Equilibrium occurs where market demand equals market supply.
- Under perfect competition there are many buyers and sellers of a homogeneous product.
- A monopoly has a single seller with control over price.

Macroeconomics

- GDP, GNP, NNP and National Income are key aggregates.
- Money performs the functions of a medium of exchange, store of value and unit of account.
- Investment multiplier = $1 / (1 - MPC)$.
- Fiscal policy uses government spending and taxation to manage the economy.
- Balance of Payments records all economic transactions with the rest of the world.

Key Formulas

- $MPC + MPS = 1$.
- GDP deflator = (Nominal GDP / Real GDP) × 100.
- APC = Consumption / Income ; APS = Savings / Income.
- Money multiplier = 1 / LRR (Legal Reserve Ratio).