

Teaching Manual

Grade XII

1. Introduction to Course

This course is design for class XII of the higher secondary level offering economics as an elective subject. The purpose of this course is to acquaint the students with microeconomics, monetary economics, government finance and international trade. It will enable students to analyse different constituents of microeconomics such as demand, supply, consumer behaviour, factors of production, theories of production, cost and revenue. Students will obtain elementary insight to deal with money, banking, government finance and international trade.

This manual is written on the basis of the format prepared by the task force constituted by HSEB for the preparation of teaching manual. This manual would be helpful to the teachers teaching course of class XII. The manual has provided guidelines on the course coverage, instructional materials and strategies, evaluation scheme. This would help to standardise the teaching economics at higher secondary level.

2. General Objectives

The general objectives of this course are:

1. To acquaint the students with the components of microeconomics such as demand, supply, consumer behaviour, factors of production, theories of production, and theories of product and factor pricing
2. To explain basic concept of monetary economics, banking system and government finance and

3. To introduce the basic concepts of balance of trade, balance of payment, and theories of comparative cost, free trade and protectionism

3. Specific Objectives

On the completion of the course, the students will be able to:

1. State the law of demand and supply, derive demand and supply curve and explain the movement and shift in them;
2. Explain the concept of elasticity of demand and measurement of price elasticity using total outlay method;
3. Describe the total, average and marginal utilities, explain law of diminishing marginal utility and law of substitution, and also explain the concept of consumer's surplus
4. Discuss the characteristics of land, labour, capital and organisation as factors of production
5. Derive total, average and marginal product curve, and explain the law of variable proportion and concept of return to scale
6. Derive total, average and marginal revenue curves, explain the concept of short run and long run, fixed and variable costs, and derive short-run cost curves
7. Determine equilibrium price and output under perfect competition and monopoly
8. Discuss the concept of rent, wage, interest and profit and explain their basic theories
9. Explain the functions and role of money, the quantity theory of money and the concept of inflation and deflation
10. Discuss the role and function of the central bank and commercial banks with reference to Nepal and explain the meaning of capital and money market

11. Discuss the meaning of government finance, importance and classification of government expenditure, sources of government revenue, and types of taxes and characteristics of a good tax system
12. Explain the meaning of internal and external borrowing and the steps of budget formulation
13. Distinguish between balance of trade and balance of payments, discuss the pros and cons of free trade and protectionism and explain the Ricardian comparative cost theory of international trade
14. Explain the general introduction to WTO and SAFTA

4. Course Scheme

| Units | Title head | Teaching hours |
|-------|---|----------------|
| | Part A: Microeconomics | 100 |
| 1. | Basic Concept of market economy | 15 |
| 2. | Elasticity of demand and its measurement | 8 |
| 3. | Theory of consumer behaviour | 12 |
| 4. | Factors of production | 15 |
| 5. | Theory of production | 10 |
| 6. | Revenue and cost curves | 15 |
| 7. | Theory of price and output determination | 10 |
| 8. | Theory of factor pricing | 15 |
| | Part B: Money, Banking, Government Finance and International Trade | 50 |
| 9. | Money | 10 |
| 10. | Banking | 10 |
| 11. | Government finance | 18 |
| 12. | International trade | 12 |
| | Total teaching hours | 150 |

5. Unit Wise Description

The subject matter included in this course are organised in different heads/titles. The whole subject matters are organised in twelve chapters. Different aspects of the various units are discussed as below.



PART **A**

5.1. Basic Concept of Market Economy

The purpose of this topic is to familiarise the students about the market economy and its components. This includes the concept of market economy, concept of demand, law of demand, derivation of individual and market demand curves, movement and shift in demand curves, factors causing the shift in demand curves, supply and law of supply, derivation of single producer's supply curve and market supply curve, movement and shift of supply curve, factors causing the shift in supply curve etc. In the same way interaction between demand and supply i.e. equilibrium position is explained in this section.

5.1.1. Prerequisite

It requires the knowledge of secondary school economics and conceptual knowledge of class eleven economics

5.1.2. Objectives of the Unit

At the end of the teaching of this unit students will be able to:

- a. Explain the concept of market economy
- b. Explain the meaning of law of demand
- c. Derive the individual and market demand curve
- d. Explain the shift in demand curve
- e. Explain the causes of shift in demand curve
- f. Explain the meaning of supply

- g. Derive the single producer's and market supply curve
- h. Explain the shift in supply curve
- i. Explain the causes of shift in supply curve
- j. Explain the interaction between demand and supply curve

5.1.3. Specification of Contents

| Particulars | Periods (hours) |
|--|----------------------------|
| Concept of market economy | 2 |
| Demand and law of demand | 2 |
| Derivation of individual and market demand curves | 2 |
| Movement and shift in demand curves | 1 |
| Factors causing the shift in demand curve | 1 |
| Supply and law of supply | 2 |
| Derivation of single producer's supply curve and market supply curve | 2 |
| Movement and shift in supply curve | 1 |
| Factors causing the shift of supply curves | 1 |
| Interaction of demand and supply (Equilibrium position) | 1 |
| Total | 15 |

5.1.4. Description of Content Areas of the Unit

While teaching the subject included in this unit, it is necessary to:

- a. Explain the meaning and features of market economy
- b. Define demand and describe its elements

- c. Explain the law of demand, causes of downward sloping demand curve with the help of table and diagram mentioning its assumptions and exceptions
- d. Explain the individual and market demand curve with the help of the table and diagram and process of derivation of individual and market demand curves
- e. Explain the different causes of shift in demand curve
- f. Explain the difference between shift and movement in demand curve
- g. Define supply and discuss its all elements
- h. Explain the law of supply with the help of table and show its exceptions
- i. Explain the individual and market supply curve with the help of the table and diagram and the process of derivation
- j. Explain the different causes of shift in supply curve
- k. Explain the difference between shift and movement in supply curve
- l. Explain the price determination process through the interaction between demand and supply with the help of table and diagram in market economy (This needs to be explained while teaching equilibrium of firms and industry)

5.1.5. Teaching Materials, Equipments and Tools

Following materials can be used while teaching this unit:

- a. Table showing the demand of commodities at different price level
- b. Diagram based of the demand and price
- c. Table showing the supply of commodities at different price level
- d. Diagram based on the price and supply

- e. Diagrams showing the shift in demand and supply i.e. left and right
- f. Diagram showing the interaction between demand and supply

5.1.6 Instructional Process, Strategies

Teachers can use the following methods and strategies for teaching the above-mentioned contents.

- a. Lecture method
- b. Problems solving method (drawing graphs and making tables by each students in the class)
- c. Homework
- d. Question answer method
- e. Project method
- f. Demonstration

5.1.7 Evaluation

Teachers can evaluate the students in the following ways:

- a. Organising class test by the concerned class teacher
- b. Asking long and short question after completing the class
- c. Make active the students for constructing the table and diagram to explain the demand and supply curves
- d. Arrange the short interaction activities in the class

5.1.8 Key terms

Explain the following Key terms with their definitions.

Demand

Supply

Shift in demand curve
Shift in supply curve
Individual demand curve
Market demand curve
Individual supply curve
Market supply curve
Movement in demand curve
Movement in supply curve

5.1.9 Assignment

Assignment should be provided to the students including short questions, long questions diagram making works etc.

5.2. Elasticity of Demand and Its Measurement

This includes the concept of elasticity of demand, its types i.e. price elasticity, income elasticity and cross elasticity. In the same manner, degrees of price elasticity of demand (five types of price elasticity), total outlay method of elasticity measurement is also explained here.

5.2.1. Prerequisite

Knowledge of secondary level economics and law of demand of the unit one

5.2.2. Objectives of the Unit

At the end of the teaching of this unit, students will be able to:

- a. Describe the concept of elasticity of demand

- b. Describe the different types of elasticity i. e. price, income and cross elasticity of demand
- c. Explain the degree of elasticity of demand with numerical examples
- d. Explain the different determinants of elasticity of demand
- e. Measure the elasticity of demand using total outlay method

5.2.3. Specification of Content

| Particulars | Periods (hours) |
|--|------------------------|
| Concept of elasticity | 1 |
| Types of elasticity | 2 |
| Degree of price elasticity of demand | 2 |
| Determinants factors of elasticity of demand | 1 |
| Measurement of price elasticity of demand with the total outlay method | 2 |
| Total | 8 |

5.2.4. Description of Content Areas of the Unit

While teaching the subject included in this unit, following should be carried out.

- a. Define elasticity of demand
- b. Explain the concept of different types of elasticity of demand i.e. price, income and cross elasticity of demand with numerical examples
- c. Explain the different types of price elasticity on the basis of degree
- d. Discuss about the different factors determining the elasticity of demand

- e. Explain about the total outlay method of elasticity measurement with the help of table and diagram

5.2.5. Teaching Materials, Equipments and Tools

Following materials can be used while teaching this unit:

- a. Charts for showing the elasticity formulae
- b. Diagram for price, income and cross elasticity of demand
- c. List chart for showing the determinants of elasticity

5.2.6. Instructional Process, Strategies

Teacher can use the following methods and strategies for teaching the above-mentioned subject.

- a. Lecture method
- b. Problems solving method (some numerical problems of elasticity measurement)
- c. Homework
- d. Question answer method
- e. Project method
- f. Demonstration method

5.2.7. Evaluation

Teachers can evaluate the students in the following ways:

- a. Asking long and short question after completing the class
- b. Make active the students for constructing the table and diagram to explain the demand and supply curves
- c. Arrange the short interaction activities in the class

5.2.8. Key Terms

Elasticity of demand
Price elasticity of demand
Income elasticity of demand
Cross elasticity of demand

5.2.9. Assignment

Assignment should be provided to the students including the short questions, long questions, diagram making works etc.

5.3. Theory of consumer behaviour

This unit includes concept of total and marginal utility, law of diminishing marginal utility, law of substitution and consumer's surplus and its importance.

5.3.1. Prerequisite

Knowledge of secondary level economics, concepts of class XI economics and law of demand of the unit one

5.3.2. Objectives of the Unit

At the end of the teaching of this unit students will be able to:

- a. Explain the concept of marginal and total utility
- b. Describe the law of diminishing marginal utility with table and diagram including assumptions, limitations, importance etc.
- c. Explain the law of substitution with table and diagram including assumptions, limitations
- d. Describe the concept of the consumer's surplus and its importance

5.3.3. Specification of Content

| Particulars | Periods (hours) |
|---|----------------------------|
| Marginal, average and total utility | 2 |
| Law of diminishing marginal utility with table and diagram including assumptions, limitations | 4 |
| Law of substitution with table and diagram including assumptions, limitations | 4 |
| Describe the concept of the consumer's surplus and its importance | 2 |
| Total | 12 |

5.3.4. Description of Contents Areas of the Unit

While teaching the subject included in this unit, following should be carried out.

- a. Define marginal utility, total utility and average utility
- b. Explain and point out the assumptions of law of diminishing marginal utility
- c. Describe the law of diminishing marginal utility with the help of table and diagram
- d. Explain the limitations of marginal utility
- e. Explain and point out the assumptions of law of substitution
- f. Describe the law of substitution with the help of table and diagram
- g. Explain the limitations of law of substitution
- h. Define consumer's surplus and explain with the help of table and diagram
- i. Explain the criticism and importance of consumer's surplus

5.3.5. Teaching Materials, Equipments and Tools

Following materials can be used while teaching this unit:

- a. Chart for showing the marginal utility curve and law of substitution
- b. Diagram for law of diminishing marginal utility and law of substitution
- c. List chart for showing assumptions and limitations of the law of diminishing marginal utility and law of substitution
- d. Table and diagrams for explaining the consumer's surplus and list chart for the importance of law of substitution

5.3.6 Instructional Process, Strategies

Teacher can use the following methods and strategies for teaching the above-mentioned subject.

- a. Lecture method
- b. Problems solving method
- c. Homework
- d. Question answer method
- e. Project method

5.3.7 Evaluation

Teachers can evaluate the students in the following ways:

- a. Asking long and short question after completing the class
- b. Make active the students for constructing the table and diagram to explain the demand and supply curves
- c. Some numerical problems can be asked to the students for finding the marginal utility, average utility, total utility and elasticity
- d. Arrange the short interaction activities in the class

5.3.8 Key Terms

Marginal utility
Total utility
Diminishing marginal utility
Law of substitution
Consumer's surplus

5.3.9 Assignment

Assignment should be provided to the students including the short questions, long questions, diagram making works etc.

5.4. Factors of Production

This topic includes the introduction to the different factors of production. Land and its characteristics, labour and its characteristics, division of labour, efficiency of labour, Malthusian and Optimum theory of population, capital and its characteristics, capital formulation process and organization and its form are explained.

5.4.1. Prerequisite

Knowledge of secondary level economics, concept of class XI economics and law of demand of the unit one

5.4.2. Objectives of the Unit

At the end of the teaching of this unit students will be able to:

- a. Define and point out the characteristics of land
- b. Define and point out the characteristics labour

- c. Define and point out the merits and demerits of division of labour
- d. Define efficiency of labour and explain its determinant factors
- e. Critically explain the Malthusian theory of population
- f. Critically explain the Optimum theory of population
- g. Define and mention the characteristics of capital and explain the process of capital formation
- h. Define organisations and their features
- i. Explain the meaning and characteristics of different forms of organisation i.e. partnership and joint stock company

5.4.3. Specification of Content

| Particulars | Periods (hours) |
|--|-----------------|
| Definition and characteristics of land | 1 |
| Definition and characteristics of labour | 1 |
| Definition and forms of division of labour | 1 |
| Merits and demerits of labour | 1 |
| Definition of efficiency of labour | 1 |
| Determinants of efficiency of labour | 1 |
| Malthusian theory of population and its criticism | 2 |
| Optimum theory of population and its criticism | 2 |
| Meaning and characteristics of capital and capital formation process | 1 |
| Meaning and characteristics of organisation | 1 |
| Forms of organisation | 1 |
| Meaning and characteristics of partnership | 1 |
| Meaning and characteristics of joint stock company | 1 |
| Total | 15 |

5.4.4. Description of Content Areas of the Unit

While teaching the subject included in this unit, following should be carried out.

- a. Give definition and explain the characteristics of land
- b. Give definition and explain the characteristics labour
- c. Give definition and explain the merits and demerits of division of labour
- d. Give definition of efficiency of labour and explain its determinant factor
- e. Explain the Malthusian theory of population with its weakness
- f. Explain the optimum theory of population with its weakness
- g. Give definition of capital and explain its characteristics
- h. Explain the process of capital formation
- i. Give definition of organisations and its characteristics
- j. Explain the meaning and characteristics of different forms of organisation i.e. partnership and joint stock company

5.4.5. Teaching Materials, Equipments and Tools

Following materials can be used while teaching this unit:

- a. Charts for showing the meaning and feature of land, labour, capital and organisation
- b. Chart for showing the Malthusian and optimum theory of population

5.4.6. Instructional Process, Strategies

Teacher can use the following methods and strategies for teaching the above-mentioned subject.

- a. Lecture method

- b. Problems solving method
- c. Homework
- d. Question answer method
- e. Project method

5.4.7. Evaluation

Teachers can evaluate the students in the following ways:

- a. Asking long and short question after completing the class
- b. Make active the students for constructing the table and diagram to explain
- c. Arrange the short interaction activities in the class

5.4.8. Key Terms

Land
Labour
Capital
Malthusian theory of population
Optimum theory of population
Partnership
Joint stock company
Division of labour
Efficiency of labour
Capital formation
Organisation

5.4.9. Assignment

Assignment should be provided to the students including the short questions, long questions, diagram making works etc.

5.5. Theory of Production

Theory of production is concerned with the production behaviour of the firm. It includes concept of production function (short and long run), concept of total, average and marginal products and their derivation, concept of law of variable proportion and concept of returns to scale.

5.5.1. Prerequisite

Knowledge of secondary level economics, concept of class XI economics and factors of production of unit four

5.5.2. Objectives of the Unit

At the end of the teaching of this unit students will be able to:

- a. Explain the concept of production function (short run and long run)
- b. Define total production, marginal production and average production
- c. Explain the derivation process of total, average and marginal product
- d. Explain the law of variable proportion with the help of table and diagram and their three phases
- e. Explain the concept of returns to scale, increasing, constant and decreasing with table and diagram

5.5.3. Specification of Content

| Particular | Periods (hours) |
|---|------------------------|
| Concept of production function (short run and long run) | 1 |
| Meaning of total product, marginal product and average product | 1 |
| Derivation of total, average and marginal product curves | 2 |
| Meaning and explanation of law of variable proportion with the help of table and diagram | 3 |
| Explanation the concept of returns to scale, increasing, constant and decreasing with table and diagram | 3 |
| Total | 10 |

5.5.4. Description of Content Areas of the Unit

While teaching the subject included in this unit, following should be carried out.

- a. Give the meaning of production function
- b. Define total product, marginal product and average product
- c. Show the derivation process total product, average product and marginal product
- d. Explain the law of variable proportion with the help of table and diagram
- e. Explain the returns to scale i. e. increasing, decreasing and constant returns to scale

5.5.5. Teaching Materials, Equipments and Tools

- a. Schedule and diagrams for showing the average product, marginal product and total product
- b. Schedule diagrams for showing the law of variable proportion
- c. Schedule diagrams for showing the returns to scale i.e. increasing, decreasing and constant

5.5.6. Instructional Process, Strategies

Following methods are prescribed for teaching

- a. Lecture method
- b. Problem solving method
- c. Question answer method
- d. Homework
- e. Discussion method
- f. Project method

5.5.7. Evaluation

Teachers can evaluate the students in the following ways:

- a. Asking long and short question after completing the class
- b. Make active the students for constructing the table and diagram to explain the demand and supply curves
- c. Arrange the short interaction activities in the class

5.5.8. Key Terms

Production function

Average production

Total production

Marginal production

Returns to scale
Law of variable proportion

5.5.9. Assignment

Assignment should be given to the students including the short questions, long questions, diagram making works etc.

5.6. Revenue and Cost Curves

This includes the concept of total, average and marginal revenue, derivation of average revenue and marginal revenue, from total revenue curve under perfect competition and monopoly, fixed and variable cost, concept of short run and long run cost, derivation of short run cost curves.

5.6.1. Prerequisite

Knowledge of secondary level economics, class XI economics and previous units of this syllabus

5.6.2. Objectives of the Unit

At the end of the teaching of this unit, students will be able to:

- a. Explain the total average and marginal revenue
- b. Derive average revenue, marginal revenue and total revenue under perfect competition
- c. Derive the average revenue, marginal revenue and total revenue under monopoly
- d. Explain the fixed and variable cost with example
- e. Explain the meaning of short run and long run cost
- f. Derive the short run and long run cost curve

5.6.3. Specification of Content

| Particular | Periods (hour) |
|---|-----------------------|
| Meaning of average, marginal and total revenue | 1 |
| Derivation of average, marginal and total revenue under perfect competition | 3 |
| Derivation of average, marginal and total revenue under monopoly | 3 |
| Explanation of the fixed and variable cost | 2 |
| Meaning of short run and long run cost | 2 |
| Derivation of the short run and long run cost | 4 |
| Total | 15 |

5.6.4. Description of Content Areas of the Unit

While teaching the subject included in this unit, following should be carried out.

- a. Describe the meaning of average revenue, marginal revenue and total revenue
- b. Explain the derivation process of average revenue, marginal revenue and total revenue under perfect competition
- c. Explain the derivation process of average revenue, marginal revenue and total revenue under monopoly
- d. Explain the meaning of fixed and variable cost
- e. Explain the meaning of short run and long run cost
- f. Explain the derivation process of the short run and long run cost

5.6.5. Teaching Materials, Equipments and Tools

- a. Schedule diagram of average revenue, marginal revenue and total revenue under perfect competition
- b. Schedule diagram of average revenue, marginal revenue and total revenue under monopoly
- c. Schedule diagrams of different short run and long run cost curves

5.6.6. Instructional Process, Strategies

- a. Lecture method
- b. Discussion
- c. Problem solving method
- d. Question answer method
- e. Homework

5.6.7. Evaluation

Teachers can evaluate the students in the following ways:

- a. Asking long and short question after completing the class
- b. Make active the students for constructing the table and diagram to explain the demand and supply curves
- c. Arrange the short interaction activities in the class

5.6.8. Key terms

Average revenue
Marginal revenue
Total revenue
Perfect competition
Monopoly
Fixed cost

Variable cost
Short run cost
Long run cost
Average cost
Marginal cost
Total cost
Average fixed cost
Average variable cost
Average total cost
Real cost
Opportunity cost

5.6.9. Assignment

Assignment should be provided to the students including the short questions, long questions, diagram making works etc.

5.7. Theory of Price and Output Determination

This topic includes equilibrium of the firm (MR-MC approach), meaning, features and price and output determination under perfect competition, meaning, features and price and output determination under monopoly etc.

5.7.1 Prerequisite

Knowledge of secondary level economics, class XI economics and previous units of this syllabus

5.7.2 Objectives of the Unit

At the end of the teaching of this unit, students will be able to:

- a. Describe the equilibrium situation of the firms under perfect competition and monopoly
- b. Explain the meaning and features of perfect competition
- c. Explain the price output determination under perfect competition
- d. Explain the meaning and features of monopoly
- e. Describe the price output determination under perfect competition

5.7.3 Specification of Content

| Particulars | Period (hours) |
|---|----------------|
| Meaning and features of perfect competition | 1 |
| Equilibrium analysis under perfect competition | 1 |
| Equilibrium analysis under monopoly | 1 |
| Price determination under perfect competition | 2 |
| Short run equilibrium under perfect competition | 2 |
| Long run equilibrium under perfect competition | 1 |
| Short run equilibrium under monopoly | 1 |
| Long run equilibrium under monopoly | 1 |
| Total | 10 |

5.7.4 Description of Content Areas of the Unit

While teaching the subject included in this unit, following should be carried out.

- a. Explain the meaning and features of perfect competition

- b. Explain equilibrium condition under perfect competition with the help of diagram
- c. Explain equilibrium condition under monopoly with the help of diagram
- d. Explain the process of price determination under perfect competition with the help of demand and supply diagram
- e. Explain the short run equilibrium under perfect competition with the help of diagram showing the different situation of the firms in the industry
- f. Explain long run equilibrium under perfect competition with the help of diagram
- g. Explain short run equilibrium under monopoly with the help of diagram
- h. Explain long run equilibrium under monopoly with the help of table and diagram

5.7.5 Teaching materials, Equipments and Tools

- a. Chart for explaining the features of perfect competition
- b. Diagram for explaining the equilibrium condition under perfect competition and monopoly
- c. Diagram to show and explain the price determination process under perfect competition
- d. Diagrams for explaining the short run and long run equilibrium under perfect competition and monopoly

5.7.6 Instructional Process, Strategies

- a. Lecture method
- b. Problem solving method
- c. Question answer method

- d. Homework
- e. Discussion method
- f. Project method

5.7.7 Evaluation

Teachers can evaluate the students in the following ways:

- a. Asking long and short question after completing the class
- b. Make active the students for constructing the table and diagram to explain the demand and supply curves
- c. Arrange the short interaction activities in the class

5.7.8 Key terms

Equilibrium

Interaction

5.7.9 Assignment

Assignment should be provided to the students including the short questions, long questions, diagram making works etc.

5.8. Theory of Factor Pricing

Chapter eight is concerned with the factor pricing. It includes rent, wages, interest and profit, the reward for factors for production. Rent includes concept of economic rent and contract rent; wage includes money wage and real wage, subsistence theory of wage, wage fund theory; interest includes

gross and net interest, classical theory of interest; profit includes gross and net profit, risk bearing and uncertainty bearing theories of profit.

5.8.1 Prerequisite

Knowledge of secondary level economics, class XI economics and previous units of this syllabus

5.8.2 Objectives of the Unit

At the end of the teaching of this unit, students will be able to:

- a. Define rent
- b. Define and distinguish between economic and contract rent
- c. Explain the Ricardian theory of rent with its weakness
- d. Define wages
- e. Define and distinguish between real wage and money wage
- f. Explain the subsistence theory of wage and its weakness
- g. Explain the wage fund theory of wage and its weakness
- h. Define interest
- i. Explain gross and net interest
- j. Explain classical theory of interest with its weakness
- k. Define profit
- l. Distinguish between gross and net profit
- m. Explain the risk bearing theory of profit
- n. Explain the uncertainty bearing theory of profit

5.8.3 Specification of Content

| Particulars | Period (hours) |
|---|----------------|
| Define rent | 1 |
| Define and distinguish between economic and contract rent | 1 |
| Explain the Ricardian theory of rent with its weakness | 2 |
| Define wages | 1 |
| Define and distinguish between real wage and money wage | 1 |
| Explain the subsistence theory of wage | 1 |
| Explain the wage fund theory of wage | 1 |
| Define interest | 1 |
| Explain gross and net interest | 1 |
| Explain classical theory of interest with its weakness | 1 |
| Define profit | 1 |
| Distinguish between gross and net profit | 1 |
| Explain the risk bearing theory of profit | 1 |
| Explain the uncertainty bearing theory of profit | 1 |
| Total | 15 |

5.8.4 Description of content areas of the Unit

While teaching the subject included in this unit, following should be carried out.

- a. Give definition of rent with examples
- b. Explain the different points for explaining the distinction between economic and contract rent

- c. Discuss the Ricardian theory of rent with its weakness
- d. Give definition of wage with examples
- e. Explain the difference between real wage and money wage
- f. Explain the subsistence theory of wage with criticism
- g. Explain the wage fund theory of wage with criticism
- h. Give the definition of interest
- i. Explain distinguish between gross and net interest
- j. Explain classical theory of interest with its weakness
- k. Give the definition of profit
- l. Explain and distinguish between gross and net profit
- m. Explain the risk bearing theory of profit with criticism
- n. Explain the uncertainty bearing theory of profit with criticism

5.8.5 Teaching materials, equipments and tools

- a. Table and diagram for Ricardian theory of rent
- b. List chart to show the distinction between money wage and real wage, economic rent and contract rent, gross and net interest and gross and net profit etc.

5.8.6 Instructional process, strategies

- a. Lecture method
- b. Discussion method
- c. Project method
- d. Problem solving method
- e. Question answer method
- f. Homework

5.8.7 Evaluation

Teachers can evaluate the students in the following ways:

- a. Asking long and short question after completing the class
- b. Make active the students for constructing the table and diagram to explain the demand and supply curves
- c. Arrange the short interaction activities in the class

5.8.8 Key terms

Rent
Economic rent
Contract rent
Wages
Money wages
Nominal wages
Real wages
Subsistence wage
Interest
Gross interest
Net interest
Profit
Gross profit
Net profit

5.8.9 Assignment

Assignment should be provided to the students including the short questions, long questions, diagram making works etc.



PART B

5.9. Money

This topic includes meaning, functions and forms of money; concept of value of money; concept and calculation of index number (simple and weighted); quantity theory of money (Fisher's Equation); concept of inflation and deflation.

5.9.1 Prerequisite

Knowledge of secondary level economics, class XI economics and previous units of this syllabus

5.9.2 Objectives of the Unit

At the end of the teaching of this topic, students will be able to

- a. Describe the meaning of money
- b. Explain the functions of money
- c. Describe the types of money
- d. Explain the concept of value of money
- e. Explain the concept of index number and calculation of index number (simple and weighted)
- f. Explain the quantity theory of money
- g. Explain the concept of inflation and deflation

5.9.3 Specification of Content

| Particular | Period (hours) |
|---|----------------|
| Meaning of money | 1 |
| Functions of money | 1 |
| Types of money | 1 |
| Concept of value of money | 1 |
| Concept and calculation of index number | 2 |
| Quantity theory of money | 3 |
| Inflation and deflation | 1 |
| Total | 10 |

5.9.4 Description of content areas of the Unit

While teaching the subject included in this unit, following should be carried out.

- a. Give various definitions of money
- b. Explain the functions of money
- c. Discuss the different types of money
- d. Discuss about the concept of value of money
- e. Give the concept of index number and practice the index number problems
- f. Explain the quantity theory of money with some numerical examples, diagram and weakness
- g. Discuss about the inflation and deflation concept

5.9.5 Teaching materials, Equipments and Tools

- a. Charts showing the functions of money
- b. Diagrams for explaining the quantity theory of money

5.9.6 Instructional Process, Strategies

- a. Lecture method
- b. Problem solving method
- c. Question answer method
- d. Homework
- e. Discussion method
- f. Project method

5.9.7 Evaluation

Teachers can evaluate the students in the following ways:

- a. Asking long and short question after completing the class
- b. Make active the students for constructing the table and diagram to explain the demand and supply curves
- c. Arrange the short interaction activities in the class

5.9.8 Key Terms

Money
Value of money
Transaction
Velocity of money
Quantity of money
Price level
Bank money
Velocity of bank money
Index number
Inflation
Deflation

5.9.9 Assignment

Assignment should be provided to the students including the short questions, long questions, diagram making works etc.

5.10. Banking

This chapter includes role of banking system in the economy, classification of bank (central and commercial), functions of central bank with special reference to Nepal, Functions of commercial banks with special reference to Nepal and concept of money and capital market etc.

5.10.1. Prerequisite

Knowledge of secondary level economics, class XI economics and previous units of this syllabus

5.10.2. Objectives of the Unit

At the end of this topic students will be able to:

- a. Describe the role of banking system in the economy
- b. Discuss the different types of banks especially commercial banks and central banks
- c. Provide the meaning of central bank and explain their functions
- d. Provide the meaning of central banks and explain their functions
- e. Explain the concept of money and capital market

5.10.3. Specification of Content

| Particulars | Periods (hours) |
|---|------------------------|
| Role of banking system in the economy | 1 |
| Classification of banks | 1 |
| Meaning of central banks and their functions | 3 |
| Meaning of commercial banks and their functions | 3 |
| Concept of money and capital market | 2 |
| Total | 10 |

5.10.4. Description of Content Areas of the Unit

While teaching the subject included in this unit, following should be carried out.

- a. Explain the role of banking system in the operation of economic activities
- b. Classify the banks into different groups with explaining the main features
- c. Define central bank and discuss its functions in the economy
- d. Define commercial banks and discuss its functions in the economy
- e. Define money market and capital market with their features and functions

5.10.5. Teaching Materials, Equipments and Tools

Charts, flash cards and flatten board for showing and explaining the banks, their functions and classification of banks

5.10.6. Instructional Process, Strategies

- a. Lecture method
- b. Discussion method
- c. Question answer technique
- d. Problem solving method
- e. Homework
- f. Project method

5.10.7. Evaluation

Teachers can evaluate the students in the following ways:

- a. Asking long and short question after completing the class
- b. Make active the students for constructing the table and diagram to explain the demand and supply curves
- c. Arrange the short interaction activities in the class

5.10.8. Key Terms

Central bank
Commercial bank
Money market
Capital market
Stock exchange
Bond debenture
Treasury bills
Deposit certificate
Promissory note

5.10.9. Assignment

Assignment should be provided to the students including the short questions, long questions, diagram making works etc.

5.11. Government Finance

This topic includes concept and importance of government finance, government expenditure (importance and classification), government revenue (tax and non-tax sources; concept of direct and indirect taxes, concept of progressive, proportional, regressive and digressive taxes, characteristics of a good tax system), concept of government borrowing and sources of borrowing (i. e. internal and external borrowing) and government budget (Meaning and steps of budget formulation).

5.11.1. Prerequisite

Knowledge of secondary level economics, class XI economics and previous units of this syllabus

5.11.2. Objectives of the Unit

At the end of this topic, the students will be able to:

- a. Explain the concept of government finance
- b. Discuss the importance of government finance
- c. Discuss the importance of government expenditure
- d. Describe about the different types of government expenditure i. e. regular and development
- e. Discuss about the government expenditure and its importance
- f. Explain about the different sources of government revenue
- g. Explain the meaning of direct and indirect tax
- h. Explain the merits and demerits of direct tax
- i. Explain the merits and demerits of indirect tax

- j. Explain the progressive, proportional, regressive and digressive tax and their features
- k. Explain the characteristics of good tax system
- l. Define and explain the importance of borrowing
- m. Explain the different sources of government borrowing i. e. internal and external
- n. Explain the meaning of budget
- o. Explain the different steps of budget formulation

5.11.3. Specification of Content

| Particulars | Periods (hours) |
|---|------------------------|
| Concept of government finance | 1 |
| Importance of government finance | 1 |
| Importance of government expenditure | 1 |
| Types of government expenditure i. e. regular and development | 1 |
| Sources of government revenue | 1 |
| Meaning of direct and indirect tax | 1 |
| Merits and demerits of direct tax | 2 |
| Merits and demerits of indirect tax | 2 |
| Progressive, proportional, regressive and digressive tax and their features | 3 |
| Characteristics of good tax system | 1 |
| Importance of borrowing | 1 |
| Sources of government borrowing i. e. internal and external | 1 |
| Meaning of budget | 1 |
| Steps of budget formulation | 1 |
| Total | 18 |

5.11.4. Description of Content Areas of the Unit

While teaching the subject included in this unit, following should be carried out.

- a. Give the meaning and concept of government finance with examples
- b. Arrange the discussion on the importance of government finance with reference to development and other regular work
- c. Arrange the discussion on the importance of government expenditure for different activities
- d. Describe about the different types of government expenditure i. e. regular and development
- e. Describe about the government expenditure and its importance
- f. Discuss about the different sources of government revenue
- g. Explain the meaning of direct and indirect tax
- h. Discuss the merits and demerits of direct tax
- i. Discuss the merits and demerits of indirect tax
- j. Explain the progressive, proportional, regressive and digressive tax and their features
- k. Discuss about the characteristics of good tax system
- l. Show the importance of borrowing
- m. Explain the different sources of government borrowing i. e. internal and external
- n. Explain the meaning of budget
- o. Explain the different steps of budget formulation

5.11.5. Teaching Materials, Equipments and Tools

- a. Charts,
- b. Flatten board

5.11.6. Instructional Process, Strategies

- a. Lecture method
- b. Discussion method
- c. Question answer technique
- d. Homework
- e. Project method

5.11.7. Evaluation

Teachers can evaluate the students in the following ways:

- a. Asking long and short question after completing the class
- b. Make active the students for constructing the table and diagram to explain the demand and supply curves
- c. Arrange the short interaction activities in the class

5.11.8. Key Terms

Government finance
Expenditure
Development expenditure
Regular expenditure
Government revenue
Tax
Non-tax
Direct tax
Indirect tax
Progressive tax
Proportional tax
Regressive tax
Digressive tax

Government borrowing
Internal borrowing
External borrowing
Government budget

5.11.9. Assignment

Assignment should be provided to the students including the short questions, long questions, diagram making works etc.

5.12. International Trade

This chapter includes the concept of international trade, concept of balance of trade and balance of payment, free trade and protectionism (advantages and disadvantages), Ricardian comparative cost theory of international trade and general introduction to WTO and SAFTA.

5.12.1. Prerequisite

Knowledge of secondary level economics, class XI economics and previous units of this syllabus

5.12.2. Objectives of the Unit

At the end of this topic, students will be able to:

- a. Explain the concept of international trade
- b. Describe the importance of international trade
- c. Explain the balance of payment and balance of trade
- d. Explain the meaning, advantages and disadvantages of free trade

- e. Explain the meaning, advantages and disadvantages of protectionism
- f. Explain the Ricardian theory of international trade with various weaknesses
- g. Explain the meaning and main features of WTO
- h. Explain the meaning and features of SAFTA

5.12.3. Specification of Content

| Particular | Periods (hours) |
|---|------------------------|
| Concept of international trade | 1 |
| Importance of international trade | 1 |
| Balance of payment and balance of trade | 1 |
| Meaning, advantages and disadvantages of free trade | 2 |
| Meaning, advantages and disadvantages of protectionism | 2 |
| Ricardian theory of international trade with various weaknesses | 3 |
| Meaning and main features of WTO | 1 |
| Meaning and features of SAFTA | 1 |
| Total | 12 |

5.12.4. Description of Content Areas of the Unit

- a. Describe the concept of international trade with examples
- b. Describe the importance of international trade
- c. Explain the balance of payment and balance of trade

- d. Explain the meaning, advantages and disadvantages of free trade
- e. Explain the meaning, advantages and disadvantages of protectionism
- f. Explain the Ricardian theory of international trade with various weakness
- g. Explain the meaning and main features of WTO
- h. Explain the meaning and features of SAFTA

5.12.5. Teaching Materials, Equipments and Tools

- a. Charts
- b. Graphs
- c. Flatten board
- d. Flash cards

5.12.6. Instructional Process, Strategies

- a. Lecture method
- b. Project method
- c. Discussion method
- d. Question answer technique
- e. Homework

5.12.7. Evaluation

Teachers can evaluate the students in the following ways:

- a. Asking long and short question after completing the class
- b. Make active the students for constructing the table and diagram to explain the demand and supply curves
- c. Arrange the short interaction activities in the class

5.12.8. Key terms

International trade
Balance of trade
Balance of payment
Free trade
Protectionism
Comparative cost
WTO
SAFTA

5.12.9. Assignment

Assignment should be provided to the students including the short questions, long questions, diagram making works etc.



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