

AGA KHAN UNIVERSITY EXAMINATION BOARD

HIGHER SECONDARY SCHOOL CERTIFICATE

CLASS XI

MODEL EXAMINATION PAPER 2018

Principles of Economics Paper I

Time: 40 minutes Marks: 25

INSTRUCTIONS

1. Read each question carefully.
2. Answer the questions on the separate answer sheet provided. DO NOT write your answers on the question paper.
3. There are 100 answer numbers on the answer sheet. Use answer numbers 1 to 25 only.
4. In each question there are four choices A, B, C, D. Choose ONE. On the answer grid black out the circle for your choice with a pencil as shown below.

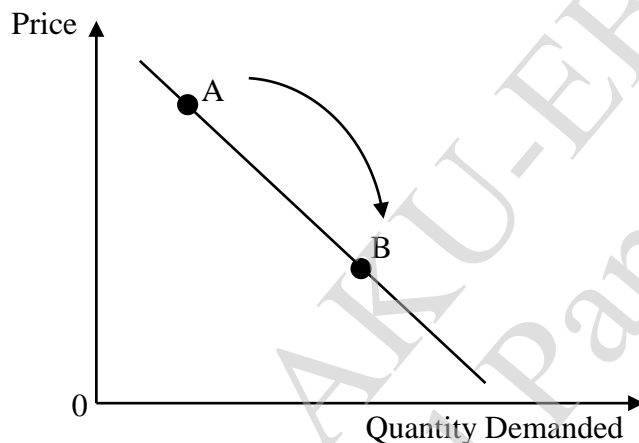
Correct Way		Incorrect Ways	
1	<input type="radio"/> A <input type="radio"/> B <input checked="" type="radio"/> C <input type="radio"/> D	1	<input type="radio"/> A <input type="radio"/> B <input checked="" type="radio"/> C <input type="radio"/> D
		2	<input type="radio"/> A <input type="radio"/> B <input checked="" type="radio"/> C <input type="radio"/> D
		3	<input type="radio"/> A <input type="radio"/> B <input checked="" type="radio"/> C <input type="radio"/> D
		4	<input type="radio"/> A <input type="radio"/> B <input checked="" type="radio"/> C <input type="radio"/> D

Candidate's Signature

5. If you want to change your answer, ERASE the first answer completely with a rubber, before blacking out a new circle.
6. DO NOT write anything in the answer grid. The computer only records what is in the circles.
7. You may use a scientific calculator if you wish.

1. The study of microeconomics deals with the
 - A. capability of a firm's production.
 - B. rate of unemployment in a country.
 - C. exports and imports of an economy.
 - D. gross domestic product of a country.
2. Adam Smith (1723 - 1790), a Scottish economist, in the first ever book on economics, defines economics as a science of
 - A. wealth.
 - B. scarcity.
 - C. human welfare.
 - D. resource allocation.

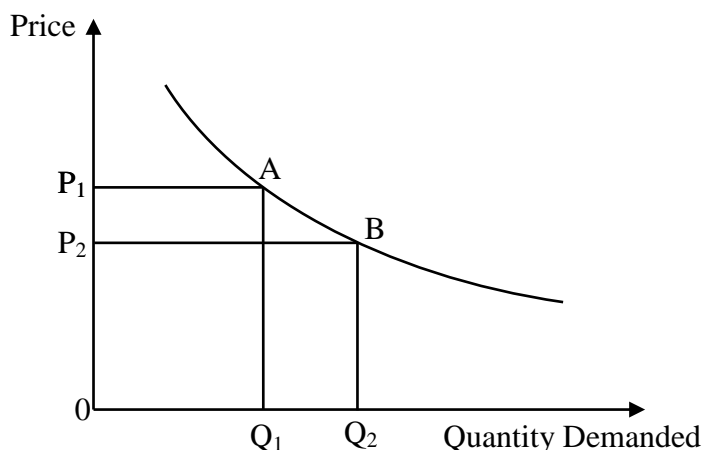
3.



As per law of demand, the given graph depicts the change in quantity demanded from point A to point B. This change in quantity demanded is because of the

- A. decrease in price.
- B. increase in income of consumers.
- C. decrease in prices of substitute goods.
- D. increase in the expected price in future.

4.



The given graph illustrates the relationship between price and quantity demanded of a product. The price elasticity of demand between points A and B depicts that the degree of elasticity of demand is

- A. elastic.
- B. inelastic.
- C. perfectly elastic.
- D. perfectly inelastic.

5. Law of supply states that 'keeping other things constant, if the price of a commodity increases, its quantity supplied increases and vice versa.'

The factor that will be kept constant for the above mentioned law to be TRUE is

- A. production technique.
- B. population of a country.
- C. income of the consumer.
- D. taste and preferences of the consumer.

6. The price elasticity of supply reflects the responsiveness of quantity supplied to the change in price.

If the price elasticity of a product is greater than one (i.e. $e_s > 1$), then it's supply is considered as

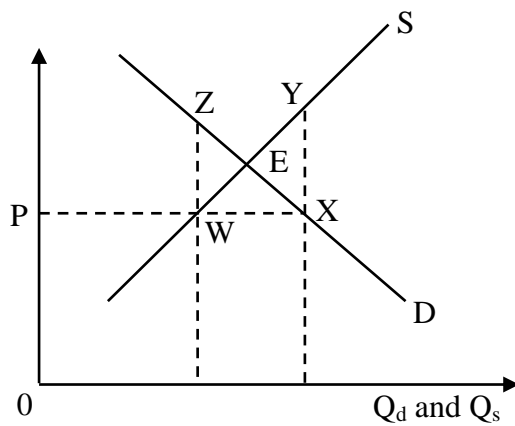
- A. elastic.
- B. inelastic.
- C. perfectly elastic.
- D. perfectly inelastic.

7. Market equilibrium exists where

- A. demand is less than supply ($D < S$).
- B. demand is greater than supply ($D > S$).
- C. there is intersection of demand and supply.
- D. there is insufficient demand and supply of a commodity.

PLEASE TURN OVER THE PAGE

8. The diagram shows the supply and demand curves of a commodity. The market is in equilibrium at point E.



Which of the following represents shortage of supply at price P?

- A. WX
 B. YX
 C. ZW
 D. PW
9. When the marginal utility of a product is zero, the total utility becomes
- A. zero.
 B. null.
 C. minimum.
 D. maximum.
10. The given schedule represents the consumer's utility for chocolate bars.

Units Consumed	Total Utility
1	07
2	11

The marginal utility at 2nd unit will be

- A. 4 utils.
 B. 7 utils.
 C. 11 utils.
 D. 18 utils.

11. Amar is a skilled worker. The factory in which he works announced that as part of annual increment, the wages for the workers will be raised by 15%. The annual inflation is at 7%.

According to the given situation, the real raise in wage will be

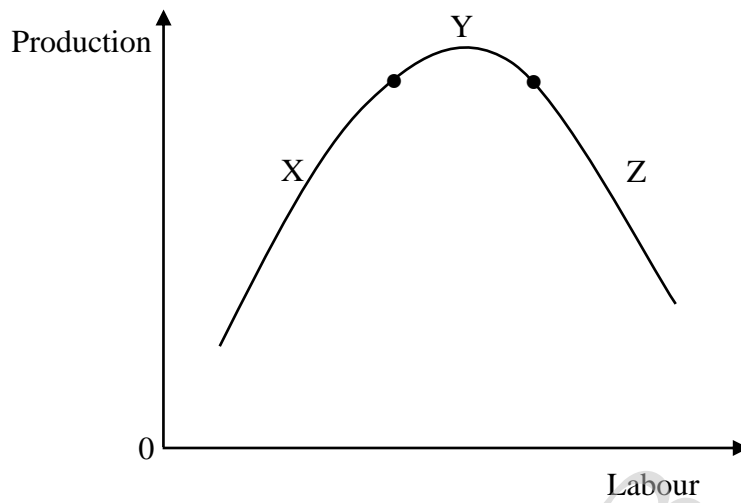
- A. 7%
 - B. 8%
 - C. 15%
 - D. 22%
12. The salary given to the security guard, as an employee would be considered as a/ an
- A. variable cost.
 - B. explicit cost.
 - C. implicit cost.
 - D. factory overhead cost.
13. The following schedule reflects the cost of production of a firm.

Output (units)	Variable Cost (Rs)	Total Cost (Rs)
10	300	1,000
20	?	1,500

If the fixed cost of the firm is Rs 700, then the variable cost for producing 20 units will be

- A. Rs 500
 - B. Rs 700
 - C. Rs 800
 - D. Rs 1,000
14. In perfect competition, every profit-exploiting manufacturer looks for a market price that is identical to its
- A. average cost.
 - B. marginal cost.
 - C. average revenue.
 - D. marginal revenue.
15. In perfect competition, if a producer is facing continuous loss over long run, then the firms will
- A. enter the industry and equilibrium price will fall.
 - B. enter the industry and equilibrium price will rise.
 - C. leave the industry and equilibrium price will fall.
 - D. leave the industry and equilibrium price will rise.

16. Given below is the graphical representation of laws of returns.



Region marked as X in the above graph depicts the law of

- A. constant cost.
- B. increasing cost.
- C. constant returns.
- D. increasing returns.

- 17.



The given picture depicts a hair salon.

Which of the following will NOT be considered as a factor of production?

- A. Haircut
- B. Hair dryer
- C. Hairdresser
- D. Hairdressing shop

18. Ahmed works as a driver for Saima. During the year, Saima paid him the following amounts.

- Monthly wages Rs 10,000
- Medical bills paid for the whole year to the hospital, Rs 12,000
- Rent paid to landlord for Ahmed's house, Rs 3,000 per month

The monthly real wage of Mr Ahmed will consist of

- A. monthly wages only.
 - B. monthly wages and medical bills.
 - C. monthly medical bills and rent paid.
 - D. monthly wages, medical bills and rent paid.
19. The value of nominal gross domestic product (GDP) is often higher than the real GDP because of
- A. economic inflation.
 - B. error in calculation.
 - C. improper evaluation of resources.
 - D. double counting of economic activity.
20. According to John Keynes, the MOST important cause of economic upturn and downturn is the
- A. demand of goods and services.
 - B. excessive spending of the government.
 - C. change in the price of oil in the international market.
 - D. imbalance between inflation and money supply in a country.
21. Which of the following is the component of current account head of Balance of Payment (BoP)?
- A. Reserves of gold and silver
 - B. Purchase and sale of goods
 - C. Investment in the other countries
 - D. Income from factors of production
22. Nations conduct international trade primarily because
- A. all nations can produce everything they acquire.
 - B. trade enhances opportunities to accumulate profits.
 - C. interest rates are not identical in all trading nations.
 - D. resources are not equally distributed in all trading nations.

23. *Zakat* is beneficial for functioning of the society as it
- A. promotes equality.
 - B. favours individualism.
 - C. strengthens the class system.
 - D. promotes proper allocation of resources.
24. The payment that will NOT be included in the computation of gross domestic product (GDP), is the payment made to a
- A. house maid.
 - B. welfare institution.
 - C. finance minister as salary.
 - D. dealer for the purchase of a new car.
25. All of the following are categorised under current account head of public expenditure in Pakistan EXCEPT
- A. expenditure on civil administration.
 - B. expenditure on building new railway.
 - C. payment of day-to-day expenses of a public hospital.
 - D. payment of salary to the chief justice of supreme court.

AGA KHAN UNIVERSITY EXAMINATION BOARD

HIGHER SECONDARY SCHOOL CERTIFICATE

CLASS XI

MODEL EXAMINATION PAPER 2018

Principles of Economics Paper II

Time: 2 hours 20 minutes Marks: 50

INSTRUCTIONS

Please read the following instructions carefully.

1. Check your name and school information. Sign if it is accurate.

**I agree that this is my name and school.
Candidate's Signature**

RUBRIC

2. There are TEN questions. Answer ALL questions. Questions 9 & 10 each offer TWO choices. Attempt any ONE choice from each.
3. When answering the questions:

Read each question carefully.
Use a black pointer to write your answers. DO NOT write your answers in pencil.
Use a black pencil for diagrams. DO NOT use coloured pencils.
DO NOT use staples, paper clips, glue correcting fluid or ink erasers.
Complete your answer in the allocated space only. DO NOT write outside the answer box.
4. The marks for the questions are shown in brackets ().
5. You may use a scientific calculator if you wish.

Q.1. (Total 2 Marks)

The law of diminishing marginal utility states that if a person increases consumption of a product while keeping consumption of other products constant, there is a decline in the satisfaction level that the person derives from consuming each additional unit of that product.

Discuss any TWO points about practical importance of the law of diminishing marginal utility with the help of an example from everyday life.

Q.2. (Total 4 Marks)

The law of supply states that 'if other factors remain constant, an increase in price results in an increase in quantity supplied'

Mention any FOUR factors that should remain constant in the law mentioned above.

Q.3.

(Total 6 Marks)

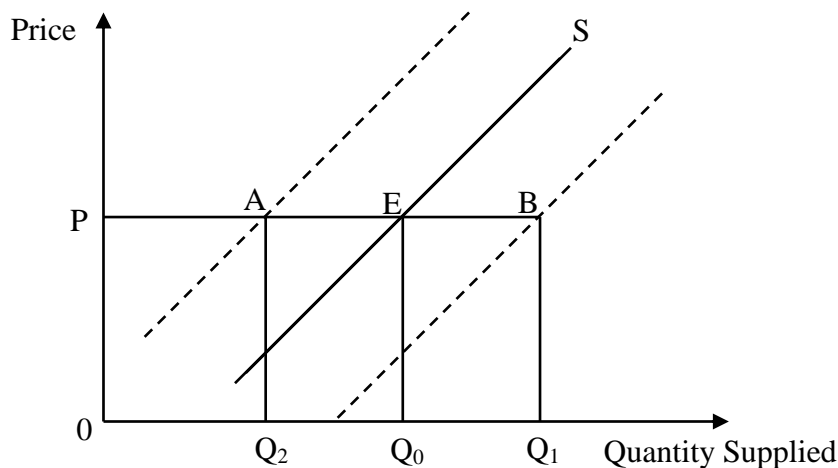
- a. The given table shows the quantity demanded of a product at different price levels.

Point	Price	Quantity Demanded	Computation of Elasticity of Demand	Degree of Elasticity
A	2	40	----	----
B	4	30		
C	8	10		

Calculate the price elasticity of demand at each point (B and C). On the basis of this calculation categorise the degree of elasticity of demand as either elastic, inelastic or unit elastic. (3 Marks)

PLEASE TURN OVER THE PAGE

b.



The initial supply curve of a product in a market is represented as Q_s on the given graph. Analyse the effect of the following conditions on movement of the supply curve and complete the table. (Attempt any THREE conditions). (3 Marks)

(Note: The first example has been done as example for your assistance.)

S. No.	Condition	Reason	Movement or shift of the curve
1	The government has announced a subsidy on the production of the good depicted in the graph.	Subsidies will decrease the cost of production so it becomes cheap for production.	Supply curve will move towards point B from E because of the increase in production.
2	The government has raised the minimum wage rate by 25%.		
3	The government cuts the import duty on raw material and machinery used in the production of the good depicted in the given graph.		
4	The company has installed new machinery with latest technology which resulted in an increase in production.		
5	Government invites new producers in the market to increase competition and reduce supremacy of existing producers.		

Q.4.

(Total 8 Marks)

Explain the 'law of increasing return' along with schedule and graph using hypothetical data.

Space for Graph

PLEASE TURN OVER THE PAGE

Q.5. (Total 4 Marks)

Revenue provides the income which a firm needs, to be able to cover its costs of production, and from which it derives profit.

a. Differentiate between the given types of revenue. (2 Marks)

Total Revenue (TR)	Marginal Revenue (MR)	Average Revenue (AR)
1.	1.	1.

b. Elaborate the impact of price on each type of revenue. (2 Marks)

	Total Revenue (TR)	Marginal Revenue (MR)	Average Revenue (AR)
If Prices are Fixed			
If Prices are Variable			

Q.6. (Total 4 Marks)

Explain, with the help of an example, the meaning of real wage and nominal wage.

Q.7.

(Total 4 Marks)

The following are the statistics of an economy.

S. No.	Particulars	Amount (million \$)
1.	Consumption expenditure	450
2.	Investment expenditure	210
3.	Government expenditure	350
4.	Exports	450
5.	Imports	325
6.	Net factor income from abroad (NFIA)	310
7.	Depreciation	75
8.	Subsidies	125
9.	Indirect taxes	180

Compute GNP (Gross National Product) and NI (National Income) from the given data.

PLEASE TURN OVER THE PAGE

Q.8. (Total 3 Marks)

a. Define quantity theory of money. (1 Mark)

b. If the available money supply in an economy is \$100, the price level is \$10 and the volume of transaction is 70, then compute the velocity of money circulation using quantity theory of money. (2 Marks)

AKU-EB
Model Paper 2018
For Teaching & Learning

Principles of Economics Model Paper XI

Principles of Economics Model Paper XI

Principles of Economics Model Paper XI

- Principles of Economics Model Paper XI

Principles of Economics Model Paper XI

Principles of Economics Model Paper XI

- Principles of Economics Model Paper XI

Principles of Economics Model Paper XI

Principles of Economics Model Paper XI

Principles of Economics Model Paper XI

Principles of Economics Model Paper XI

AKU-EB
Model Paper 2018
For Teaching & Learning

Q.10. (Total 7 Marks)

(Total 7 Marks)

EITHER

a.

- i. Describe the term ‘canons of taxation’. (1 Mark)
- ii. Explain any THREE canons of taxation and describe the effect of each on taxation rules in the tax system. (6 Marks)

OR

b.

- i. Draw a business cycle by mentioning different phases. (1 Mark)
- ii. Discuss any TWO features each of any three phases of the business cycle. (6 Marks)

AKU-LE
Model Paper & Lea
For Teaching & Lea

PLEASE TURN OVER THE PAGE

AKU-EB
Model Paper 2018
For Teaching & Learning

END OF PAPER