

AGA KHAN UNIVERSITY EXAMINATION BOARD

SECONDARY SCHOOL CERTIFICATE

CLASS X

MODEL EXAMINATION PAPER 2023 AND ONWARDS

Economics Paper I

Time: 1 hour 10 minutes Marks: 40

INSTRUCTIONS

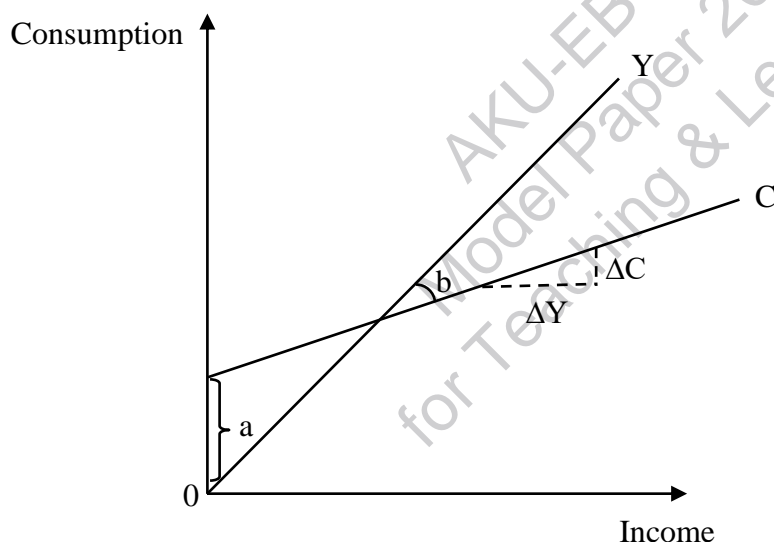
1. Read each question carefully.
2. Answer the questions on the separate answer sheet provided. DO NOT write your answers on the question paper.
3. There are 100 answer numbers on the answer sheet. Use answer numbers 1 to 40 only.
4. In each question, there are four choices A, B, C, D. Choose ONE. On 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

Candidates' 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 simple calculator if you wish.

1. Based on the concept of national income, which of the following equations is CORRECT with respect to a balanced national budget?
 - A. National Expenditure = National Savings
 - B. National Income = National Expenditure
 - C. National Expenditure = National Income + Taxes
 - D. National Income = National Expenditure + Taxes
2. If a country's National Income (NI) grows at a higher rate than the growth rate of its population, it leads to
 - A. economic growth.
 - B. economic stability.
 - C. economic potential.
 - D. higher standard of living.
3. In the given graph of consumption function, the dissaving is represented by

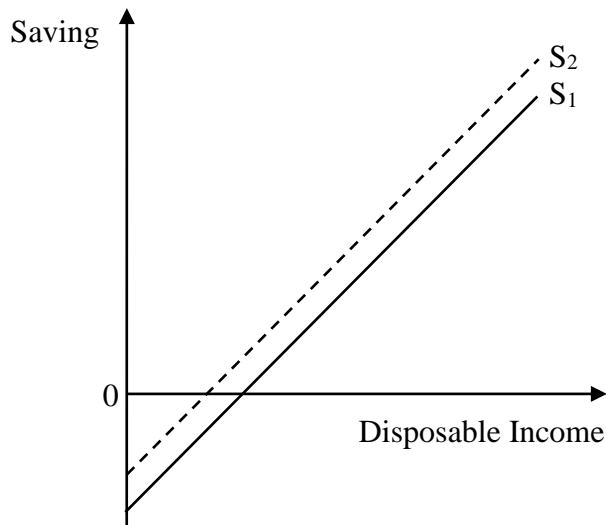


- A. a.
 - B. b.
 - C. ΔC .
 - D. ΔY .
4. In order to cut down inflationary pressure, the central bank of a country has increased the rate of interest from 4% to 7%.

The short run impact of this increase in interest rate on consumption and savings is that

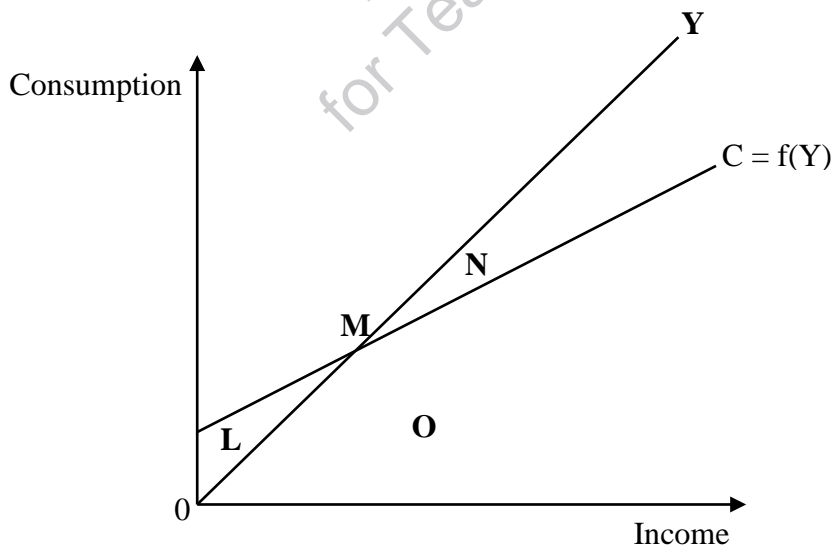
	Consumption	Savings
A	increases	increases
B	decreases	increases
C	increases	decreases
D	decreases	decreases

5. The given graph of saving function of a country shows the shift in saving from S_1 to S_2 .



The MOST likely reason for such shift will be

- A. increase in income.
 - B. decrease in inflation.
 - C. decrease in investment opportunities.
 - D. increase in lawlessness in the country.
6. The given graph represents the consumption function.

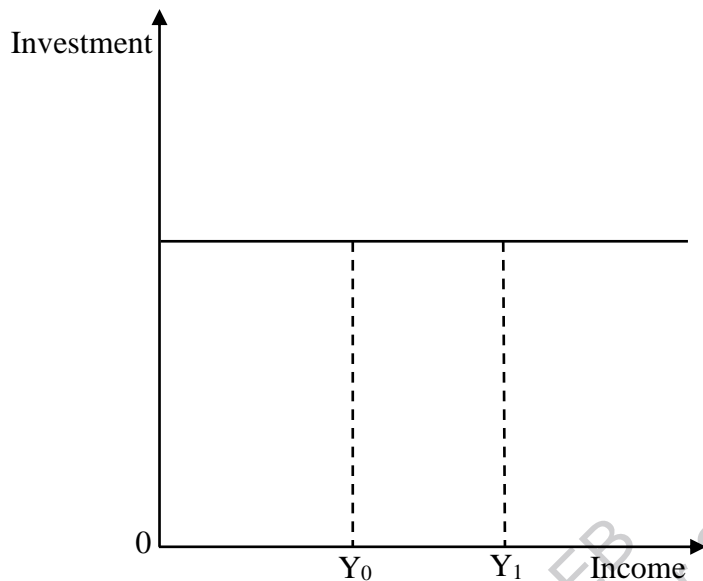


Which of the following regions represents the savings?

- A. L
- B. M
- C. N
- D. O

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7. The given graph depicts the investment in an economy.



The investment function in the given graph reflects

- A. lending investment.
 - B. indirect investment.
 - C. induced investment.
 - D. autonomous investment.
8. The given picture shows an exchange of goods against goods which is known as



- A. barter trade system.
 - B. colonial trade system.
 - C. chartered economic trade system.
 - D. international bilateral trade system.
9. Money functions as a unit of account because it
- A. has a store of value.
 - B. is a measure of value.
 - C. is a medium of exchange.
 - D. has a standard of deferred payment.

10. In a class presentation on characteristics of money, a student says, “One should be able to carry money easily from one place to another”.
- The characteristic of good money that has been described by the student is known as
- A. durability.
 - B. uniformity.
 - C. portability.
 - D. divisibility.
11. Any official medium of payment recognised by law that can be used to extinguish a public or private debt, or meet a financial obligation, is characterised as
- A. near money.
 - B. credit money.
 - C. electronic money.
 - D. high powered money.
12. The BIGGEST demerit of having paper money as currency is that it
- A. brings inflation to the economy.
 - B. adversely affects the agrarian economy.
 - C. causes deficit in the balance of payments.
 - D. demotivates producers to produce goods and services.
13. Which of the following conditions will decrease the purchasing power of an individual in an economy?
- A. Fall in exchange rates of the currency
 - B. Rise in current salaries lower than the inflation rate
 - C. Fall in interest rate on advances by commercial banks
 - D. Rise in rate of returns on securities and bonds by governments
14. Raya Bank Limited is a commercial bank that has recently started its business operation.
- The bank will perform all of the following functions EXCEPT
- A. advancing loans.
 - B. creation of credit.
 - C. accepting deposits.
 - D. issuance of currency notes.
15. The secondary function of commercial bank is to
- A. collect share applications.
 - B. approve an advance for the customer.
 - C. accept cross cheque from a customer.
 - D. accept long-term deposits from a customer.

16. Shams Bank Limited borrowed Rs 20 million from the central bank at an agreed rate of 1.5%.
The rate agreed by Shams Bank Limited is termed as
- A. bank rate.
 - B. offering rate.
 - C. discount rate.
 - D. borrowing rate.
17. The key function of a central bank is to
- A. issue currency.
 - B. prepare national budget.
 - C. pay off foreign debts (loans).
 - D. collect statistical information.
18. Which of the following is a non-specialised Islamic bank of Pakistan?
- A. Meezan Bank
 - B. Al Baraka Bank
 - C. Burj Bank Limited
 - D. Bank Alfalah Islamic
19. In Islamic banking and finance, a form of partnership business in which one party provides the funds (money) while the other provides business expertise and management, is known as
- A. *Ijarah.*
 - B. *Salam.*
 - C. *Mudarabah.*
 - D. *Musharakah.*
20. The basis of international trade is that the countries have
- A. similar patterns of demand.
 - B. different economic systems.
 - C. similar balance of payments positions.
 - D. different endowments of factors of production.
21. In international trade, mutually beneficial trade CANNOT occur
- A. when each country has its own comparative advantage.
 - B. if a country's total production is equal to total consumption.
 - C. if one country has absolute advantages in the production of every good.
 - D. when opportunity cost of producing goods is equal for both trading partners.
22. In order to protect domestic industries from the extensive foreign competition, the government should
- A. decrease tariffs.
 - B. impose quotas on import.
 - C. encourage the use of foreign currency in country.
 - D. allow multinational companies to extend business.

23. Recently, the Government of Pakistan has imposed high tariff on import of wrist watches.
This will MOST likely
- A. cause a fall in prices of the wrist watches immediately.
 - B. decrease the demand of local wrist watches in the market.
 - C. motivate local manufacturers to produce more wrist watches.
 - D. encourage importers to import larger quantities of wrist watches.
24. The statement of balance of payments (BoP) in Pakistan is prepared by the
- A. State Bank of Pakistan.
 - B. Central Statistical Bureau.
 - C. Export Promotion Bureau.
 - D. Federal Board of Revenue.
25. Pakistan faces a negative balance of payments due to its high import bills. As per the World Bank ranking regarding trade balance as a percentage of GDP, Pakistan ranks 75th with 6.47% in world economies.
According to the given information, Pakistan can minimise its negative balance by imposing
- A. high rates of general sales tax.
 - B. custom duties on luxury items.
 - C. restrictions on exchange control.
 - D. import quotas on manufactured consumer goods.
26. The economy of a country **X** is facing a deficit in the balance of payments (BoP).
In order to make the BoP favourable, the government should
- A. increase export duties.
 - B. appreciate local currency.
 - C. restrict imports of luxury goods.
 - D. decrease import duties on all items.
27. The BIGGEST source of generating direct tax in Pakistan is
- A. income tax.
 - B. property tax.
 - C. capital gain tax.
 - D. general sales tax (GST).
28. The LARGEST portion of total public revenue for the Government in Pakistan is collected through
- A. income tax.
 - B. custom duty.
 - C. general sales tax (GST).
 - D. central excise duty (CED).

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29. A national budget is detailed information of all the fiscal (financial) transactions of an economy for a specific time period. The information mentioned in the budget is in terms of
- A. accrual transactions of a country.
 - B. forecast of income and expenditure.
 - C. costing of all production activities of a country.
 - D. estimation of net amount of balance of payment.
30. Country **X** is predicting economic recession in the coming year. In this regard, if the government does NOT take any necessary measure in the budget, then the impact of this recession on tax revenue and government expenditure would be that the

	Tax Revenue	Government Expenditure
A	increase	increase
B	increase	decrease
C	decrease	increase
D	decrease	decrease

31. Country **Y** is facing financial problems. In order to come out of these problems, the government is planning to increase its revenues.
- The MOST economically viable option for the government would be to increase its
- A. taxes.
 - B. subsidies.
 - C. currency notes.
 - D. government borrowings.
32. Which of the following is classified as public expenditure with reference to public finance?
- A. construction of a cinema by an entrepreneur.
 - B. construction of a hospital by the local government.
 - C. construction of a housing society by a multinational constructing firm.
 - D. construction of a rehabilitation centre for differently abled children by an NGO.
33. Economic development refers to the changes that takes place in the economic life of a country.
- This is reflected by all of the following EXCEPT
- A. growth in per capita income.
 - B. human development index (HDI).
 - C. ratio of foreign debt and population.
 - D. growth in gross national product (GNP).

34. In the last ten years, which of the following sectors of economy is the LARGEST contributor to the gross domestic product (GDP) of Pakistan?
- A. Power sector
 - B. Industrial sector
 - C. Oil and gas sector
 - D. Agricultural sector
35. Which of the following steps is considered as a strategy to improve the existing telecommunication infrastructure of Pakistan?
- A. Connecting the global economy market
 - B. Reducing custom duties on import of smartphones
 - C. Providing subsidies and tax exemptions to communication sector
 - D. Issuing licenses for 3G and 4G technologies to communication networks
36. The abbreviation IMF stands for
- A. International Mutual Fund.
 - B. International Monetary Fund.
 - C. International Mutual Finance.
 - D. International Monetary Finance.
37. A country situated in Asia is facing severe deficit in balance of payments (BoP).
The international financial institution that can help the government to finance the deficit of BoP is
- A. World Bank.
 - B. Asian Development Bank.
 - C. International Monetary Fund.
 - D. European Reconstruction and Development Bank.
38. The BIGGEST merit of financial obligation imposed by Islam is that it
- A. relegates poverty.
 - B. promotes patriotism.
 - C. encourages hoarding of money.
 - D. ensures equal distribution of wealth.
39. The tool that inhibits the concentration of wealth in an Islamic economic system is known as
- A. *Zakat*.
 - B. *Ijarah*.
 - C. *Musharaka*.
 - D. *Mudarabaha*.

40. Ammar wants to give his amount of *Zakat*.

Which of the following CANNOT be the recipients of *Zakat*?

- A. His poor parents
- B. His needy friends
- C. His poor relatives
- D. His needy neighbours

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