

AGA KHAN UNIVERSITY EXAMINATION BOARD

HIGHER SECONDARY SCHOOL CERTIFICATE

CLASS XI EXAMINATION

APRIL/ MAY 2017

Principles of Economics Paper I

Time: 35 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 possible cause of basic economic problem is

	Resources	Wants
A	Limited	Limited
B	Limited	Unlimited
C	Unlimited	Limited
D	Unlimited	Unlimited

2. Adam Smith wrote a book, 'The Wealth of Nation' in 1776. Which of the following CORRECTLY states the four aspects of wealth discussed in this book?

A	Production of wealth	Exchange of wealth	Distribution of wealth	Consumption of wealth
B	Collection of wealth	Hoarding of wealth	Earning interest on wealth	Distribution of wealth
C	Exchange of wealth	Distribution of wealth	Collection of wealth	Hoarding of wealth
D	Production of wealth	Exchange of wealth	Earning interest on wealth	Distribution of wealth

3. Which of the following factors will NOT result in the shift of demand curve?

- A. Price of the good
- B. Consumer income
- C. Taste of consumers
- D. Price of a substitute good

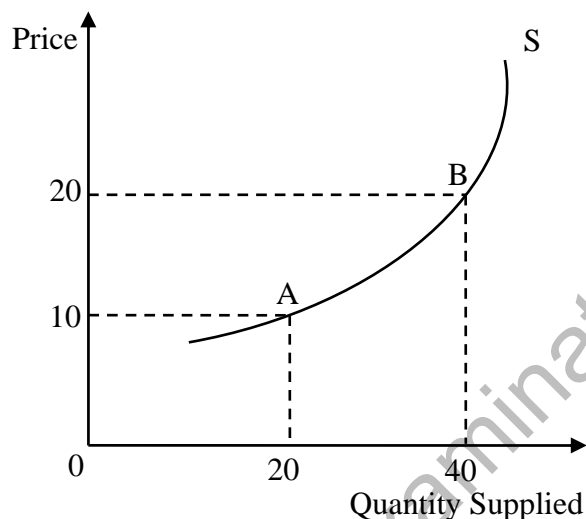
4. The given table is showing the details about market demand of two products at different price levels.

Price of Rice (Rs)	Demand of Rice (Kg)	Price of Wheat (Rs)	Demand of Wheat (Kg)
50	100	40	80
60	80	40	100

The cross price elasticity of demand for wheat will be

- A. - 1.20
- B. - 0.04
- C. 0
- D. 1.25

5. The factor that will cause the supply curve to shift to the right side will be
- the introduction of a sales tax.
 - an increase in its market price.
 - an improvement in technology.
 - a reduction in labour productivity.
6. The given supply curve shows the change in quantity supplied of a vegetable from point “A” to “B” because of the change in its price.

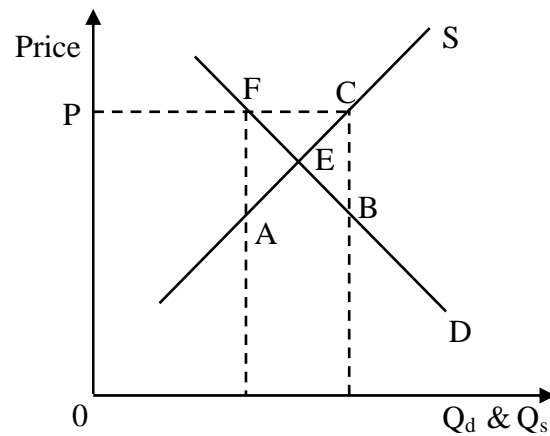


The price elasticity of supply will be

- 2
 - 0.33
 - 0.5
 - 1
7. Which of the following CORRECTLY indicates the impact of price on quantity demanded and quantity supplied?

	Price	Quantity Demanded	Quantity Supplied
A	Increases	Decreases	Decreases
B	Decreases	Increases	Decreases
C	Increases	Increases	Increases
D	Decreases	Decreases	Decreases

8. The given graph shows the supply and demand curves of a commodity. The market equilibrium is at E.



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

- A. EC
B. AF
C. CB
D. CF
9. All of the following are the assumptions of law of diminishing marginal utility EXCEPT
- A. goods consumed should be divisible.
B. units consumed should be homogeneous.
C. income of consumer should remain the same.
D. consumer should have perfect knowledge about goods.
10. The given table shows the consumption pattern for ice cream of Mr Ali at an ice cream parlour.

Scoop of ice cream	Utils
01	10
02	07
03	04
04	01
05	-02

The table reflects the

- A. law of constant returns.
B. law of decreasing returns.
C. law of diminishing marginal utility.
D. law of flourishing marginal returns.

11. Which of the following is NOT a variable cost?

- A. Rent of building
- B. Overtime payment
- C. Commission on sales
- D. Material used in production

12. The given table shows is the production data of a manufacturing company.

Number of Workers	Total Product (Units)	Average Product (Units)
1	10	10
2	24	12
3	33	11

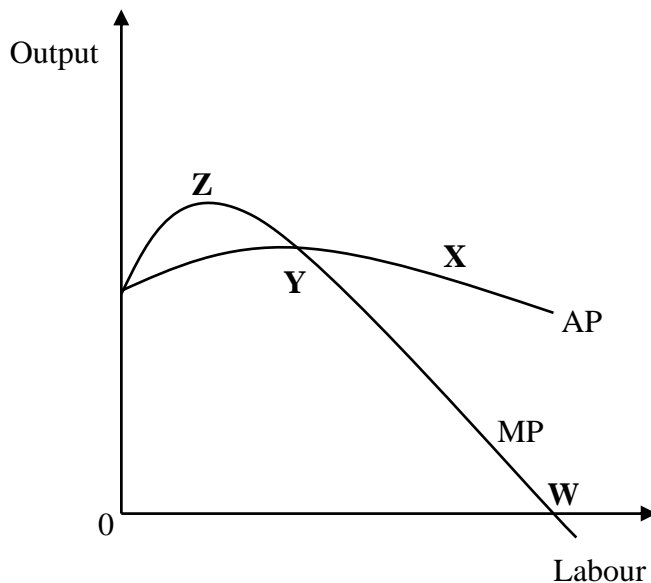
The marginal product for the total product of 33 units is

- A. 9 units.
 - B. 14 units.
 - C. 32 units.
 - D. 38 units.
13. Ms Raabia is the owner of a factory. In order to start her factory, she arranged various factors of production. At the end of the month she paid rewards to the factors of production.

Which of the following BEST describes the rewards given to factors of production?

	Land	Capital	Labour
A	Rent	Profit	Wages
B	Interest	Rent	Profit
C	Profit	Wages	Interest
D	Rent	Interest	Wages

14. The given graph shows the relationship between average product and marginal product of a firm.



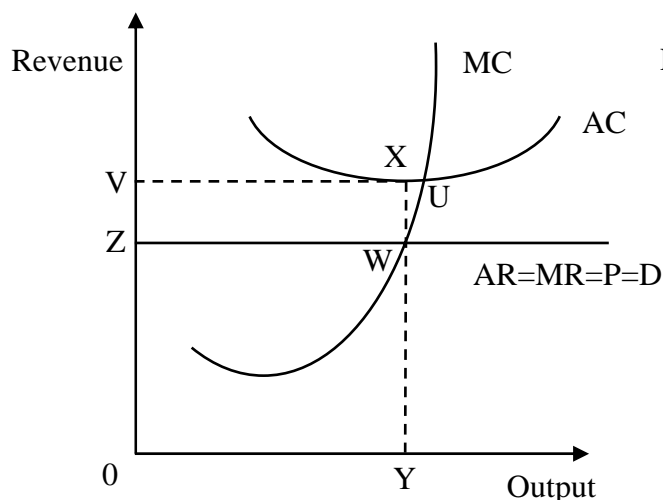
At which point in the given graph will the total product be maximum?

- A. W
 - B. X
 - C. Y
 - D. Z
15. Abbas Brothers produces blackboards and operates in a competitive market. The business produces 10 blackboards a week; the marginal cost of the 10th blackboard is Rs 84; average variable cost is Rs 62 and the marginal revenue of the blackboard is Rs 70.

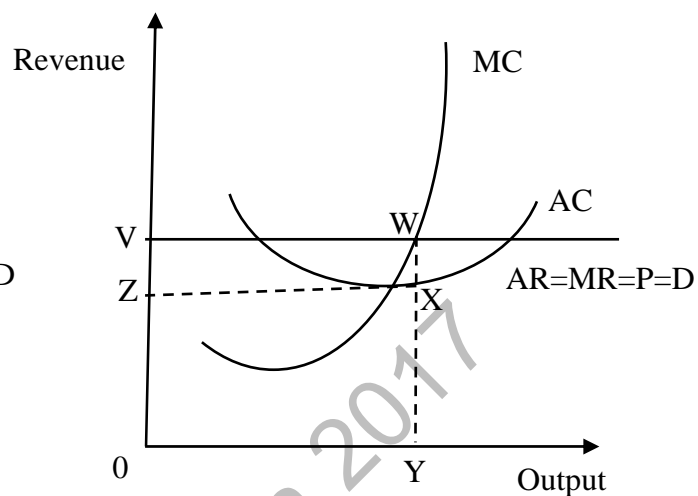
Which of the following would be a suitable advice to Abbas Brothers?

- A. Shutdown the business.
- B. Produce more blackboards.
- C. Produce fewer blackboards.
- D. Decrease the price of blackboards.

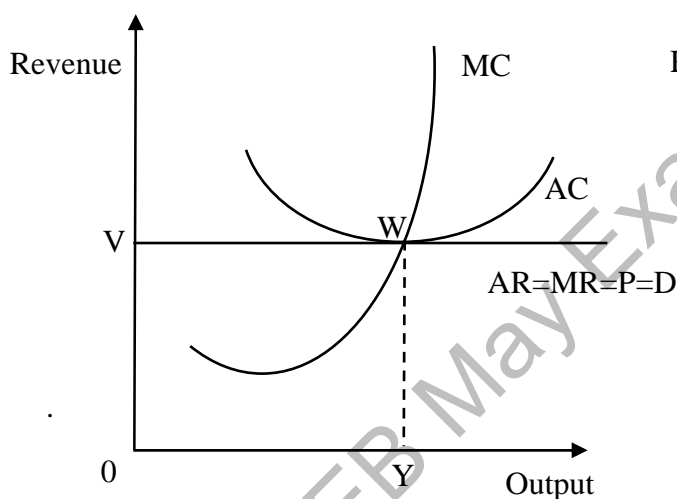
16. Which of the given graphs shows the normal profit of a firm under perfect competition?



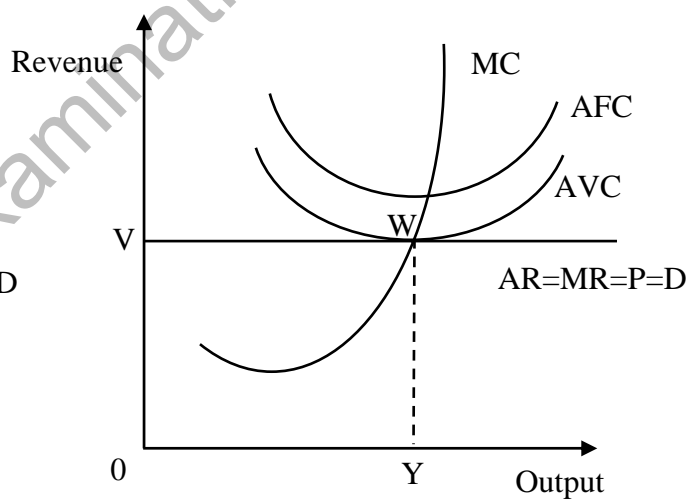
A



B



C



D

17. Barkat is an owner of a toy manufacturing factory. He pays all the workers an agreed salary of Rs 12,000 per month plus Rs 5 for each unit produced.

The types of wages mentioned in the above scenario are classified as

- kind wage and time wage.
- piece wage and time wage.
- contract wage and time wage.
- piece wage and contract wage.

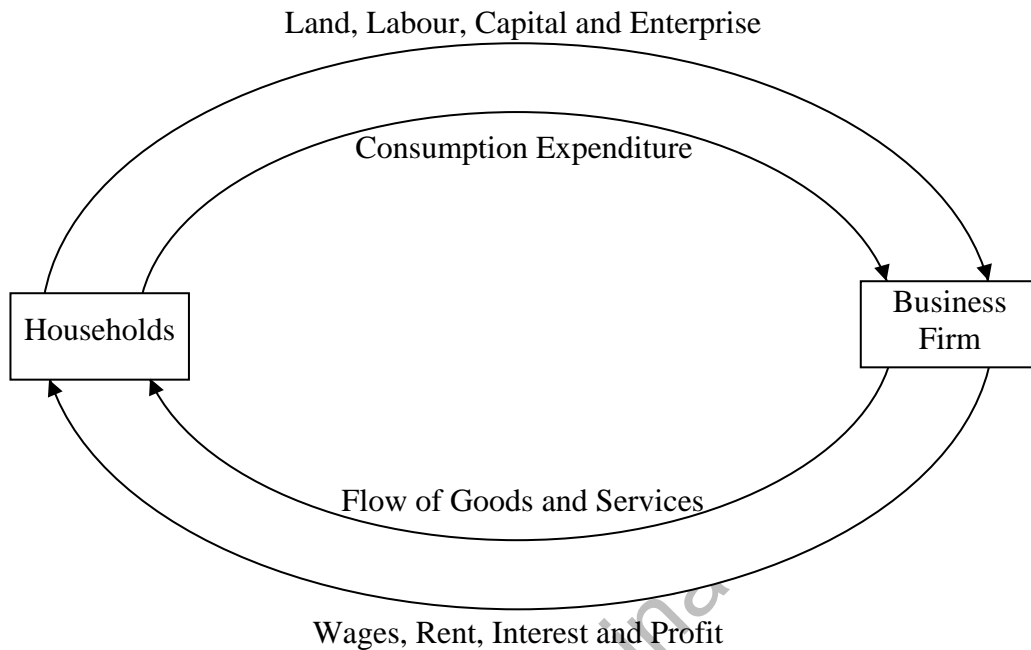
18. Rashid has rented a jewellery shop from Ayub at an agreed rate of Rs 35,000 per month.

This rent can be classified as

- gross rent.
- scarcity rent.
- contract rent.
- economic rent.

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19. Circular flow of national income shows the flow of income earned by the factors of production.



Which of the following 'withdrawals' will disturb the equilibrium of national income?

- A. Exports
 - B. Savings
 - C. Investments
 - D. Government spending
20. The details of the National Income of an economy have been given below.

Details	Amount (millions Rs)
Exports	500
Imports	600
Net investment	750
Consumer spending	9,000
Government spending	5,000
Net income from abroad	500

The amount of Gross Domestic Product (GDP) in millions will be

- A. Rs 14,650
- B. Rs 15,150
- C. Rs 15,850
- D. Rs 16,350

21. The equation for quantity theory of money given by Irving Fisher is represented by

$$MV = PT$$

Where,

M= money supply

V = velocity of circulation

P = average price level

T = volume of transactions of goods and services

According to Fisher, in short run the dependent variable in the above equation is

- A. M
B. V
C. P
D. T
22. Which of the following marks the beginning of an expansion in the business cycle?
- A. Boom
B. Recession
C. Trough
D. Recovery
23. If foreign investors are purchasing shares from Pakistan's stock market, then it will be counted in Pakistan's
- A. remittances.
B. saving account.
C. capital account balance.
D. current account balance.
24. The given table provides details about production of two different commodities of two countries.

Country	Output of Food (Units)	Output of Clothing (Units)
Country X	6	3
Country Y	1	2

Using the theories of comparative and absolute advantage of foreign trade, identify the correct statement.

- A. Country Y has comparative advantage in food only.
B. Country X has absolute advantage in both products.
C. Country Y has absolute advantage in both products.
D. Country X has comparative advantage in clothing only.

25. Which of the following is correct for *Zakat* and Tax?

	<i>Zakat</i>	Tax
A	Rate remains constant	Rate does not remain constant
B	Social responsibility	Family responsibility
C	Paid by all people of a country	Paid by selected group of people
D	Can be used for building infrastructure	Cannot be used for building infrastructure

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Please use this page for rough work

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