

**AGA KHAN UNIVERSITY EXAMINATION BOARD**

**HIGHER SECONDARY SCHOOL CERTIFICATE**

**CLASS XI EXAMINATION**

**APRIL/ MAY 2018**

**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.

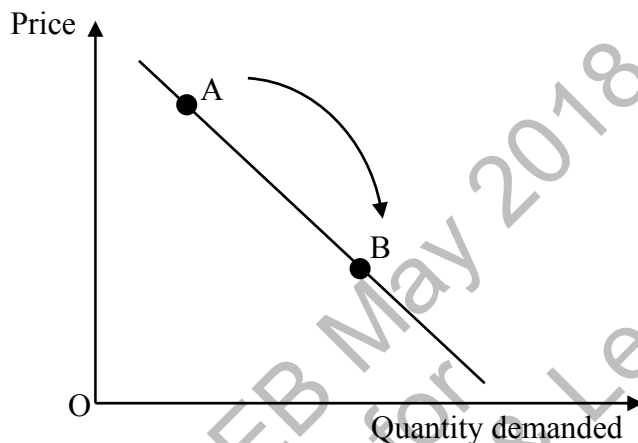
Correct Way		Incorrect Ways	
1		1	
		2	
		3	
		4	

**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
  - 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 (1723-90), 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.

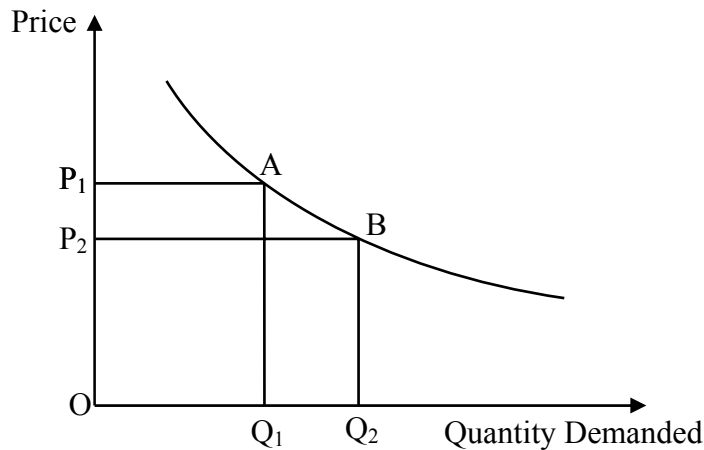
3.



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

- 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.

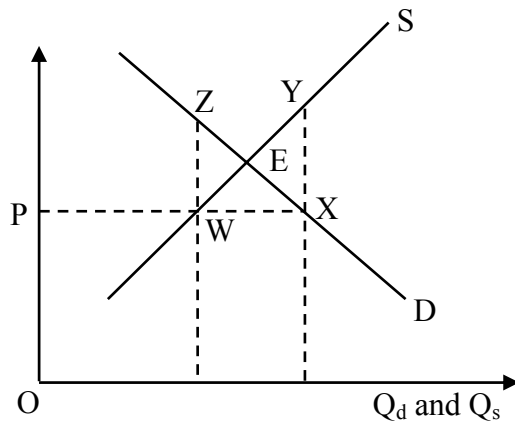
If the price elasticity of a product is greater than one ( $e_s > 1$ ), then it is considered as

- 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 commodity.

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 below schedule represents the consumer's utility for chocolate bars.

Units Consumed	Total Utility
1	7
2	11

The marginal utility at 2<sup>nd</sup> unit will be

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

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%. Though the annual inflation reported is at 7%.

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

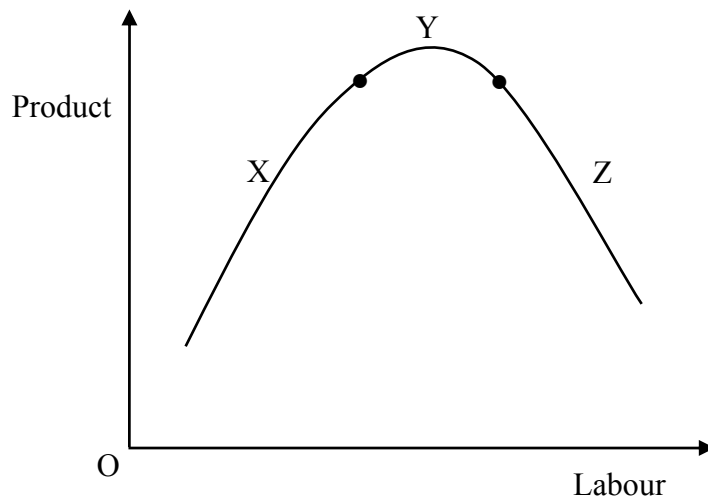
- A. 7%
  - B. 8%
  - C. 15%
  - D. 22%
12. The salary given to the security guard as an employee would be considered as a/ an
- A. fixed cost.
  - B. explicit cost.
  - C. implicit cost.
  - D. variable cost.
13. The following schedule reflects the cost of production of a firm.

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 it's
- 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

- A. law of constant cost.
- B. law of increasing cost.
- C. law of constant returns.
- D. law of 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. The table below shows the output of an economy over a period of time.

Year	No. of Labours Employed (millions)	Total Production (millions)
2013	4	14
2014	7	21
2015	5	20
2016	8	30

In which year, the company has the highest labour productivity?

- A. 2013  
B. 2014  
C. 2015  
D. 2016
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
- A. demand of goods and services.  
B. excessive spending of the government.  
C. change in the prices 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 payment made to
- A. a house maid.
  - B. a welfare institution.
  - C. to the finance minister as salary.
  - D. a 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 hospital expenses.
  - D. payment of salary to a judge of supreme court.



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