

AGA KHAN UNIVERSITY EXAMINATION BOARD

HIGHER SECONDARY SCHOOL CERTIFICATE

CLASS XI EXAMINATION

APRIL/ MAY 2019

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

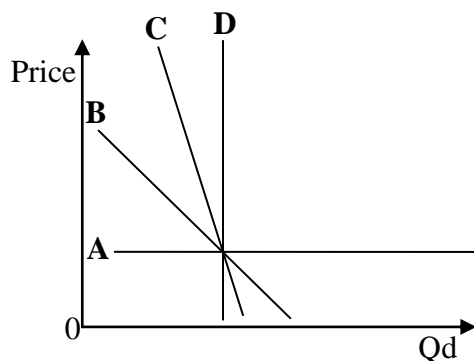
Candidate's Signature

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. A hotel cannot entertain 130 customers if it only has the capacity of 80 rooms.

This is an example of

- A. scarcity.
 - B. limited wants.
 - C. excess supply.
 - D. unlimited resources.
2. Which of the following demand curves has unitary elastic demand?



3. Anna usually purchases refreshments from the school canteen from the pocket money of Rs 15 every day. Recently, her father has doubled her pocket money as a reward for her good results.

As per economic concept of demand (assuming all other factors remain unchanged), now Anna will

- A. donate the excess money to a social cause.
 - B. refuse to accept the increment in pocket money.
 - C. give excess money to her friends and colleagues.
 - D. spend more money on the purchase of refreshment.
4. Non-intersecting, downward sloping and convex to the origin are the features of a/ an
- A. supply curve.
 - B. indifference curve.
 - C. marginal utility curve.
 - D. production possible curve.

5. The following table represents the utility of a consumer.

Number of Unit	Total Utility
0	0
1	20
2	35
3	45
4	50
5	50
6	45
7	35

The consumption level at which the marginal utility will be zero is

- A. Unit 0.
 B. Unit 4.
 C. Unit 5.
 D. Unit 6.
6. The recent inflation in compressed natural gas (CNG) has pushed people back towards consumption of petrol for vehicles.
 This change in demand classifies CNG and petrol as
 A. complementary goods.
 B. substitute goods.
 C. luxury goods.
 D. giffen goods.
7. If infrastructure facilities are available for expanding output of a particular good in response to the rise in prices, then the elasticity of supply of the good will be
 A. more than 1.
 B. less than 1.
 C. infinite.
 D. zero.
8. If the cross elasticity of demand of two products is positive, then the products are considered as
 A. giffen.
 B. normal.
 C. substitutes.
 D. complements.

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9. If the equilibrium price of butter rises but the equilibrium quantity of butter remains unchanged, then it shows that the supply and demand of butter had

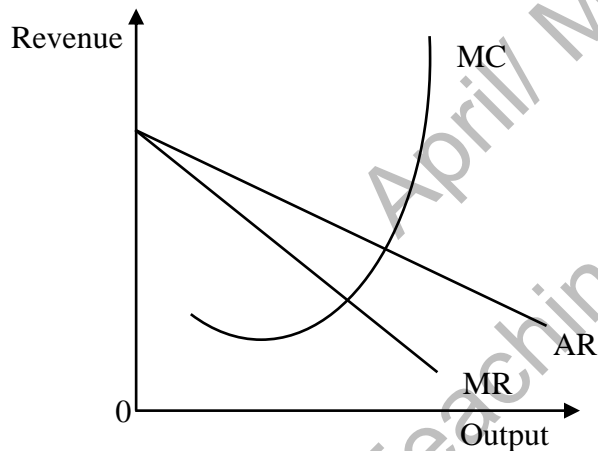
	Supply of Butter	Demand of Butter
A	increased by 20%	decreased by 10%
B	decreased by 10%	decreased by 20%
C	decreased by 20%	increased by 20%
D	increased by 10%	increased by 10%

10. The market price for rice is Rs 100. If the government fixes the price at Rs 80, then in the market there would be

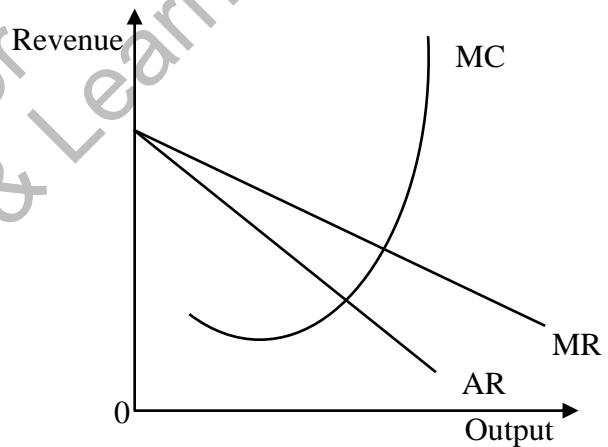
- A. an excess supply of rice.
- B. an increase in demand for rice.
- C. a decline in the demand for rice.
- D. no change in either demand or supply of rice.

11. Which of the following graphs shows the equilibrium of a firm under monopoly?

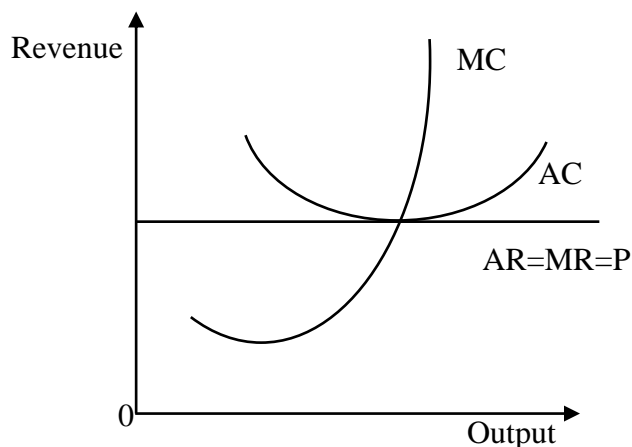
(Note: MC = marginal cost, AR = average revenue, MR = marginal revenue and P = price)



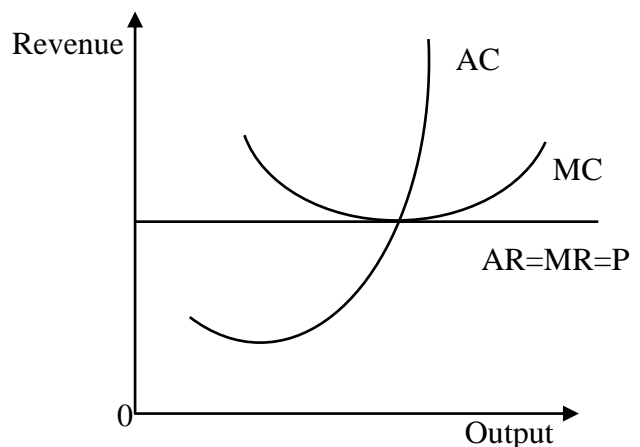
A



B



C



D

12. Sadia is the owner of a factory. In order to start her factory she arranges various factors of production (FOPs). At the end of the month, she pays rewards to the factors of production.

Which of the following CORRECTLY represents the rewards given by Sadia?

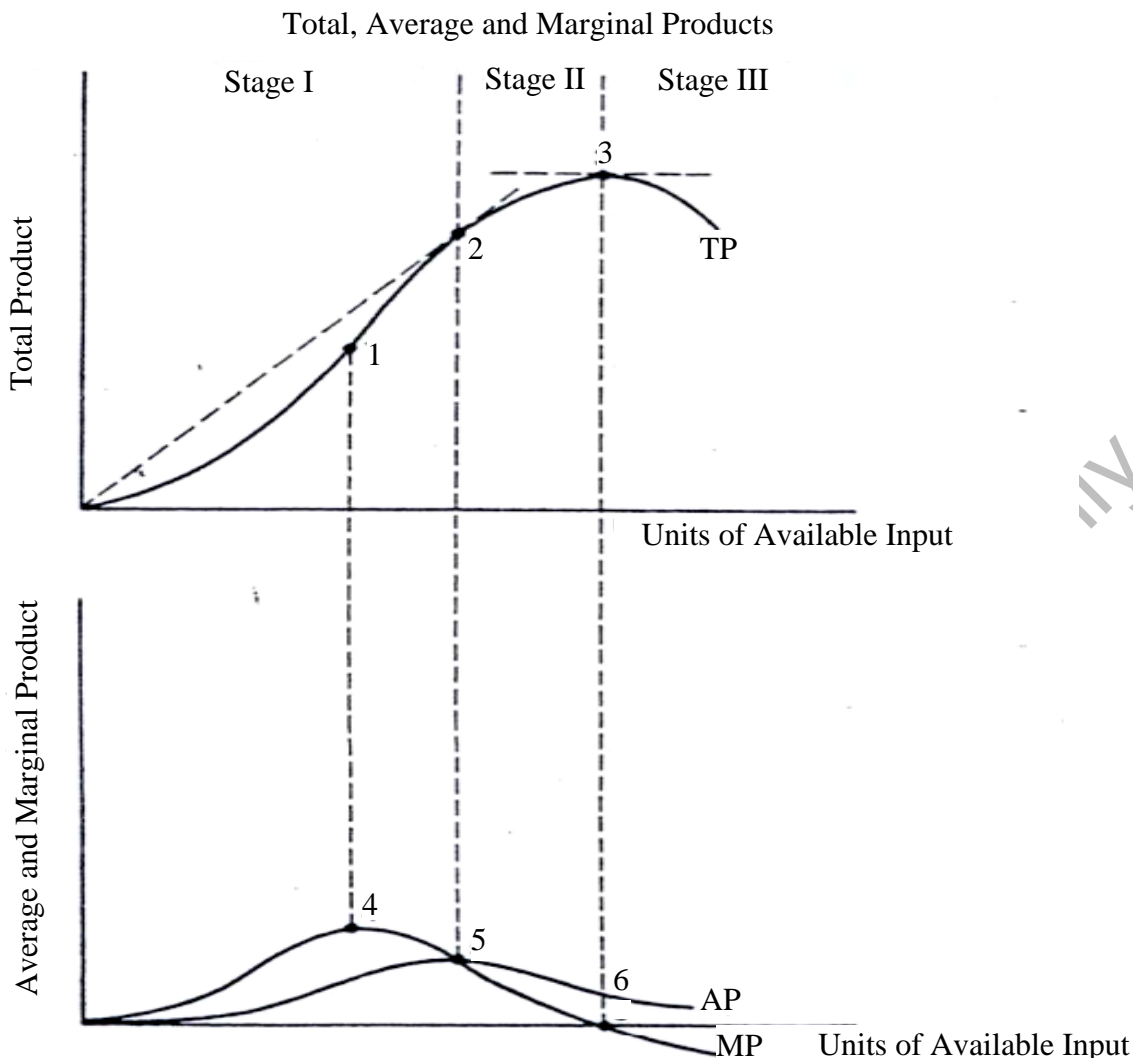
	Land	Capital	Labour
A	Rent	Profit	Wages
B	Interest	Rent	Profit
C	Profit	Wages	Interest
D	Rent	Interest	Wages

13. The rent that is dependent on the level of fertility of the land is considered as
- gross rent.
 - scarcity rent.
 - contract rent.
 - differential rent.
14. Ammar is an entrepreneur who makes customised softwares. He hires students who are in search of part time work and makes payment on the completion of the assigned task.

The method of payment adopted by Ammar is known as

- cash wage.
- time wage.
- kind wage.
- piece wage.

Use the given graph to answer Q.15 and Q.16.

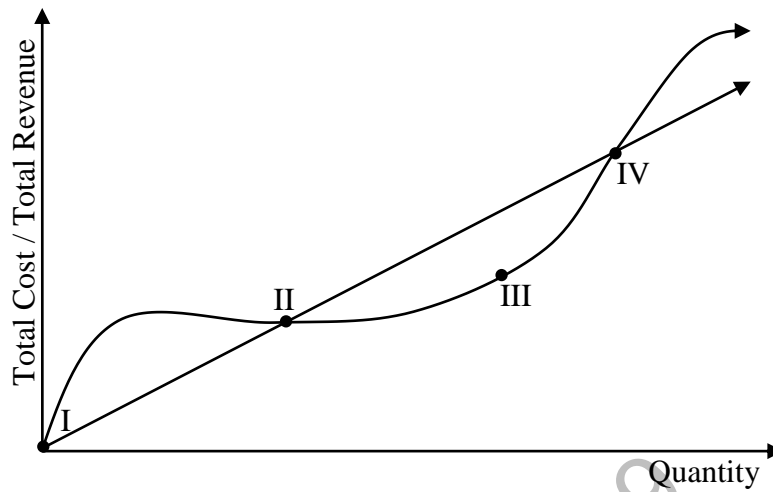


(Note: TP = total product, AP = average product, MP = marginal product)

15. The point at which the total product (TP) maximises the marginal product (MP) would be
 - A. zero.
 - B. negative.
 - C. minimum.
 - D. maximum.

16. The point at which the average product (AP) is maximum the total product (TP) would be
 - A. minimum.
 - B. maximum.
 - C. increasing.
 - D. decreasing.

17. The given graph depicts the relationship between total revenue (price \times quantity produced) and total cost (average cost \times quantity produced) in a perfectly competitive market.

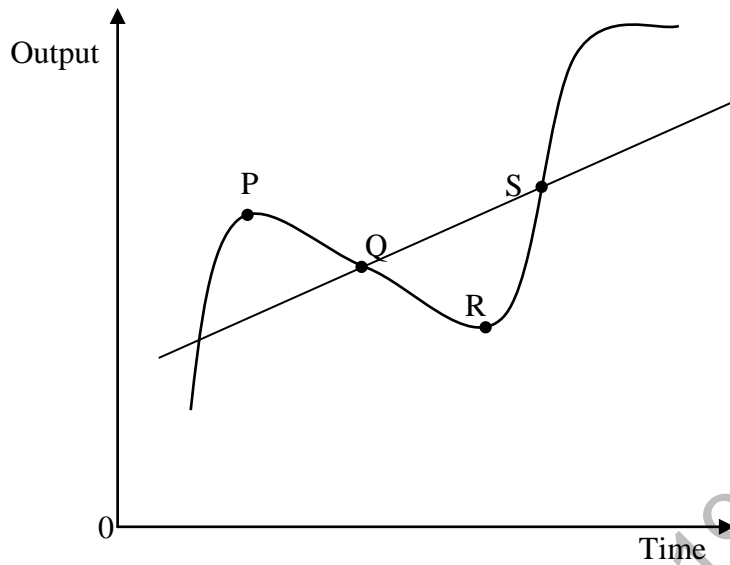


The point at which a firm will earn maximum profit is

- A. I.
B. II.
C. III.
D. IV.
18. Absar has started a small scale production unit of furniture. The features he requires for producing furniture would include

	Capital	Labour
A	less	less
B	more	less
C	less	more
D	more	more

19. The business cycle of economy is given below.



The point that represents the 'recession' of the economy is

- A. P
 - B. Q
 - C. R
 - D. S
20. Mr Salim has been promoted to the position of Senior Administrative Officer with a 15% salary increment. Due to this increment, he has to pay additional annual income tax of 5%.
- The type of tax depicted in the given scenario is known as
- A. regressive tax.
 - B. progressive tax.
 - C. proportional tax.
 - D. functionally proportional tax.
21. International trade occurs because resources are
- A. accessible to everyone.
 - B. less mobile globally than goods.
 - C. more mobile globally than goods.
 - D. shared between developed and underdeveloped countries.

22. The following data has been extracted from an economy.

Consumption	175	million US\$
Investment	150	million US\$
Government expenditure	125	million US\$
Exports	185	million US\$
Imports	275	million US\$
Depreciation	125	million US\$
Remittance	185	million US\$
Foreign income transfer	105	million US\$

The gross domestic product (GDP) of the economy will be

- A. 235 million US\$.
B. 360 million US\$.
C. 470 million US\$.
D. 485 million US\$.
23. The following data has been extracted from an economy:

Velocity of circulation of money	V	= 4
The price level	P	= Rs 2
The volume of transaction	T	= 2,000

With reference to the given information, if the government of a country restricted the velocity of circulation of money to 2 then the adequate money supply (M) will be

- A. 1,000
B. 2,000
C. 4,000
D. 8,000
24. In contrast to coins, paper money is MOSTLY used because of its
- A. durability.
B. portability.
C. divisibility.
D. uniformity.
25. Ahmed recently donated his *zakat* to a hospital that treats under privileged members of the society.

With reference to the beneficiaries of *zakat*, the hospital will be classified as the

- A. administrator of *zakat* (*Amil*).
B. one who is in debt (*Gharimin*).
C. sympathiser (*Muallaf-ul-Quloob*).
D. one who works for the cause of Allah (*Fisabilillah*).

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