

AGA KHAN UNIVERSITY EXAMINATION BOARD

HIGHER SECONDARY SCHOOL CERTIFICATE

CLASS XI EXAMINATION

APRIL/ MAY 2017

Principles of Economics Paper II

Time: 2 hours 25 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**

2. RUBRIC. There are NINE questions. Answer ALL questions. Questions 8 & 9 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 6 Marks)

a. Human wants are the root cause of all human activities.

Describe 'human wants' with reference to economics. (2 Marks)

b. Explain the following types of 'wants' with examples: (4 Marks)

i. Economic wants

ii. Non-economic wants

Q.2.

(Total 6 Marks)

Calculate the price elasticity of supply for the given cases separately.

Case A	
Price (Rs)	Quantity Supplied
10	50
15	50

Case B	
Price (Rs)	Quantity Supplied
10	50
15	55

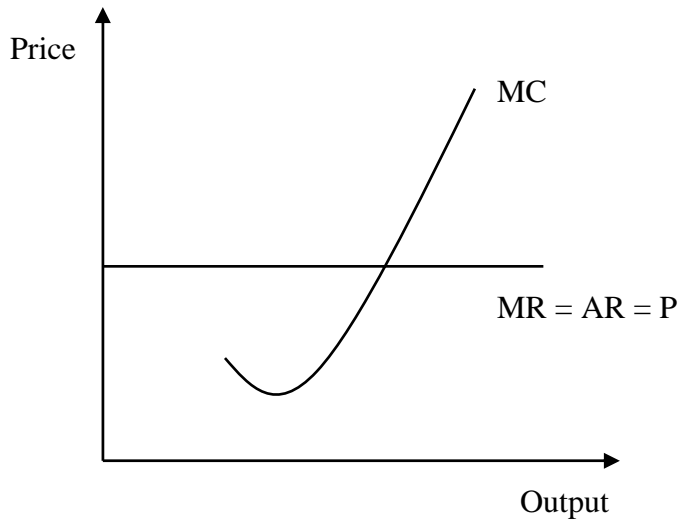
Case C	
Price (Rs)	Quantity Supplied
10	50
15	80

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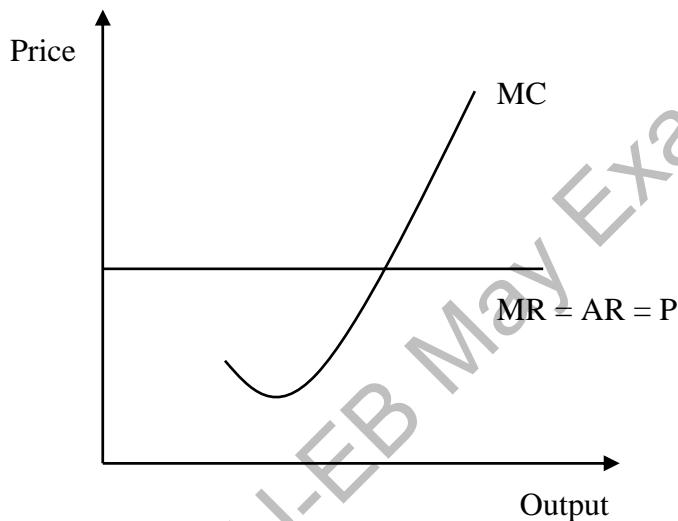
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Q.3. (Total 8 Marks)

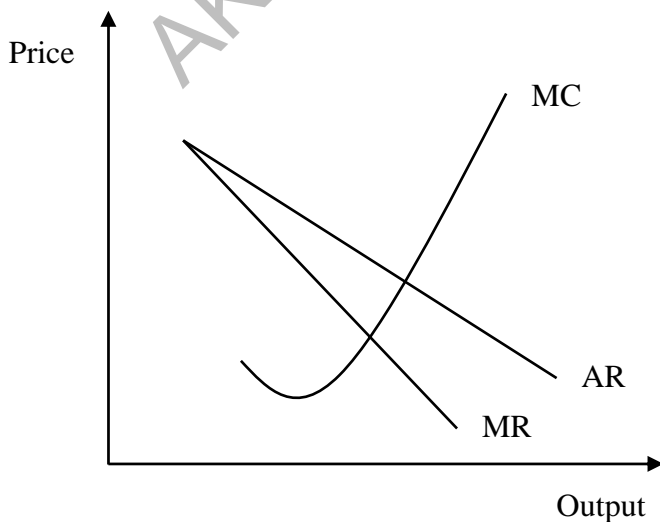
- a. Use the given graph and show normal profit of the firm under perfect competition. (2 Marks)



- b. Use the given graph and show shutdown point of the firm under perfect competition. (4 Marks)



- c. Use the given graph to show short run profit of the firm under monopoly market. (2 Marks)



[Note: Use black pointer to draw the lines on the given graphs.]

Q.4.

(Total 4 Marks)

Complete the given table by describing any TWO characteristics of the factor of production mentioned below.

Land	1.
	2.
Capital	1.
	2.

Q.5.

(Total 4 Marks)

Complete the given table by computing the missing values.

Units	Fixed Cost	Variable Cost	Total Cost	Average Cost	Marginal Cost
0	20	0	?	---	---
1	?	30	50	50	30
2	20	50	70	?	20
3	20	64	84	28	?

Space for calculation

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Q.6. (Total 4 Marks)

Explain FOUR qualities of good money.

Q.7. (Total 3 Marks)

The given equations represent various approaches of measuring Gross Domestic Product (GDP) of an economy.

Name the approaches used in each of the given equations.

	Equations for Calculating GDP	Different Approaches Involved in the Calculations
i.	$GDP = \text{Rent} + \text{Wages} + \text{Interest} + \text{Profit}$	
ii.	$GDP = \text{Consumption} + \text{Investment} + \text{Government} + \text{Net exports}$	
iii.	$GDP = \text{Agriculture goods} + \text{Industrial goods} + \text{Minerals goods} + \text{Services}$	

Q.8.

(Total 8 Marks)

EITHER

- a. In order to provide economic relief to the people of a country, the government plans to give subsidies on petrol.
 - i. Explain, with the help of a graph, the possible effects of introduction of subsidies on the price, demand and supply of petrol. (7 Marks)
 - ii. Mention how the government's policy of introducing subsidy will affect the demand of CNG (compressed natural gas) if its price remains the same. (1 Mark)

OR

- b. Khizer's uncle gave a few chocolates of the same brand to him. Khizer ate the first chocolate and derived some utility out of it but his satisfaction went on decreasing with every chocolate he ate.
- i. Identify the economic phenomenon presented in the given example. (1 Mark)
- ii. Explain the economic phenomenon identified in part (i) with the help of a graph and a schedule. (7 Marks)

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Q.9.

(Total 7 Marks)

EITHER

- a. General increase in the price level of the goods in an economy is called inflation.
- i. Explain any FOUR causes of inflation in Pakistan. (4 Marks)
- ii. Suggest any THREE measures the government can take to control high inflation rate. (3 Marks)

OR

- b. Recent changes in the exchange rate have resulted in a negative impact on the balance of payment of Pakistan.
- i. What problem can be foreseen in the given situation? (1 Mark)
- ii. What steps should the government introduce in order to counter the given situation? Explain any THREE steps. (6 Marks)

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