

AGA KHAN UNIVERSITY EXAMINATION BOARD

HIGHER SECONDARY SCHOOL CERTIFICATE

CLASS XI EXAMINATION

APRIL/ MAY 2019

Principles of Economics Paper II

Time: 2 hours 20 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**

RUBRIC

2. There are TEN questions. Answer ALL questions. Questions 9 & 10 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)

Monthly income of Rafia is Rs 30,000. She spends her income as follows:

Type of Goods	Amount Spend (Rs)
Necessities	15,000
Comforts	10,000
Luxuries	5,000

If her income rises by Rs 15,000 with no change in her saving pattern, then on the basis of income elasticity explain the impact of increase in income on the consumption pattern of Rafia.

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Q.2.

(Total 3 Marks)

If a person increases consumption of one product while keeping consumption of other products constant, there will be a decline in the satisfaction levels which the person derives from consuming each additional unit of that product.





- a. Identify the given economic law. (1 Mark)

b. Explain any TWO practical importance of the economic law identified in part (a) with the help of an example from everyday life. (2 Marks)

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Q.3. (Total 3 Marks)

Complete the given table by classifying the products as merit good, demerit good, free good public or private good. Attempt any THREE.

Product	Type of goods
<div>  <p>Cigarette</p> </div>	
<div>  <p>Cold drinks</p> </div>	
<div>  <p>Fresh Air and environment</p> </div>	
<div>  <p>Defence equipment</p> </div>	

Q.4.

(Total 8 Marks)

By the advent of mega cities and explosive population growth the demand for goods have raised enormously. This increase in demand has forced industries to opt for large scale production.

With reference to the given statement, discuss any TWO merits and TWO demerits of this large scale production for industries.

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Q.5. (Total 4 Marks)

Exemplify the following types of wages.

(Note: The first example has been done for your assistance.)

S. No.	Type of Wage	Example
1	Piece Wage	Aleem works in a factory. He received wages as per the units he work upon.
2	Time Wage	
3	Cash Wage	
4	Wage in Kind	
5	Contract Wage	

Q.6. (Total 4 Marks)

Complete the table by calculating the total cost and marginal cost.

Output Units	Fixed Cost (Rs)	Average Variable Cost (Rs)	Total Cost (Rs)	Marginal Cost (Rs)
00	25	-		
01	25	35		
02	25	30		
03	25	25		

Q.7.

(Total 3 Marks)

Describe the following methods of calculating national income.

a. Product method

b. Expenditure method

c. Income method

Q.8.

(Total 4 Marks)

Explain any TWO problems faced by economists and statistician while measuring national income.

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Q.9.

(Total 8 Marks)

EITHER

- a. The Production Manager of Shams Limited was asked to analyse the impact of change in price on the supply and demand of their product.

He did the review of the supply and demand of the product and has provided the following details.

Price (Rs)	Quantity Supplied	Quantity Demanded
200	3,000	3,600
250	3,500	3,000

Assuming other factors remain constant;

- i. Calculate the price elasticity of supply of Shams Limited's products. (4 Marks)
- ii Calculate the price elasticity of demand of Shams Limited's products. (4 Marks)

OR

- b. Discuss any FOUR practical importance of the elasticity of demand. (8 Marks)

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(Total 7 Marks)

EITHER

i. Describe the term 'cannon of taxation'. (1 Mark)

ii. Explain any THREE cannons of taxation. (6 Marks)

OR

b. Describe any FOUR causes of inflation in a country like Pakistan. Mention any THREE of its impacts on the country. (7 Marks)

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END OF PAPER

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