

AGA KHAN UNIVERSITY EXAMINATION BOARD

SECONDARY SCHOOL CERTIFICATE

CLASS X




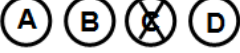
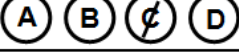
ANNUAL EXAMINATIONS (THEORY) 2023

Economics Paper I

Time: 1 hour 10 minutes Marks: 40

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 40 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 simple calculator if you wish.

1. Suppose that the per capita income (PCI) of a country is very low.

The BASIC reason for this low PCI would be

- A. high inflation.
- B. lack of infrastructure.
- C. high population growth.
- D. low productive resources.

2. To encourage savings in a country, the government should increase

- A. direct tax.
- B. indirect tax.
- C. interest rate.
- D. cash reserve ratio.

3. Which of the following item(s) should be adjusted in gross domestic product (GDP) at market price to calculate the GDP at factor cost?

- A. Direct taxes
- B. Indirect taxes and subsidy
- C. Exports and imports
- D. Depreciation

4. With reference to the national income accounting, outward remittances are deducted from the gross domestic product (GDP) to compute

- A. gross national product (GNP).
- B. national income (NI).
- C. net national product (NNP).
- D. personal income (PI).

5. The mathematical difference between gross national product and net national product is

- A. depreciation.
- B. inflation.
- C. net exports.
- D. tax.

6. The disposable personal income of an individual will fall, if the rate of

- A. direct tax decreases.
- B. direct tax increases.
- C. indirect tax decreases.
- D. indirect tax increases.

7. If the government of country N reduces the rate of direct tax, then it will IMMEDIATELY increase the
- A. cost of living.
 - B. disposable personal income.
 - C. investment.
 - D. tax revenue of the country
8. Trade protectionism refers to government policies that restrict international trade to
- A. cater and export country's trade surplus.
 - B. help and protect the local industries.
 - C. improve trade relations with country's trading partners.
 - D. provide financial assistance to local manufacturers.
9. With reference to Pakistan Economic Survey 2021-22, the top three exporting partners of Pakistan are
- A. South Africa, UAE and China.
 - B. UK, Germany and France.
 - C. USA, China and UK.
 - D. USA, Saudi Arabia and UAE.
10. All of the following are account heads of a balance of payment (BoP) EXCEPT
- A. capital account.
 - B. current account.
 - C. financial account.
 - D. public expenditure account.
11. Which of the following trading activities is an example of the international trade?
- A. Abbas Traders has sent goods from Karachi to Lahore via Khan Goods Transport company.
 - B. Al-Karim watches has brought smart watches directly from Al-Waqt enterprises in USA.
 - C. Islamabad Store has purchased used laptops from Dubai Electronics Islamabad.
 - D. Nazimabad Store Karachi has bought fresh vegetables from the farms of Mirpurkhas.
12. As per Pakistan Economic Survey 2021-22, the commodity with the HIGHEST contribution to the export bill of Pakistan is
- A. towels and hosiery items.
 - B. cotton threads.
 - C. readymade garments.
 - D. bedsheets and cotton household items.

13. The MAJOR benefit an economy can reap from free trade is that it
- A. challenges the local industries.
 - B. creates opportunities for monopoly.
 - C. improves international competition.
 - D. gives access to quality products to consumers.
14. Current account deficit in balance of payments (BoP) means that
- A. long run, exports decrease more than the increase in imports.
 - B. long run, exports increase more than the decrease in imports.
 - C. short run, exports decrease more than the increase in imports.
 - D. short run, exports increase more than the increase in imports.
15. The MAJOR cause of preference of paper money over coins in everyday transactions is its
- A. conformity.
 - B. divisibility.
 - C. durability.
 - D. portability.
16. All of the following are the causes of change in the value of money EXCEPT for
- A. inflation.
 - B. interest rate.
 - C. exchange rate.
 - D. unemployment.
17. Given is the depiction of a barter system.



The given image depicts all of the following challenges of the barter system EXCEPT

- A. lack of double coincidence of wants.
- B. indivisibility of certain goods.
- C. lack of a common measure of value.
- D. difficulty in making deferred payments.

18. A trader is bound to accept a financial instrument that a country's courts of law recognise as satisfactory payment for any monetary debt and its rejection is considered as an offense.

With reference to the given statement, the type of money can be characterised as

- A. deposit (credit) money.
 - B. legal tender.
 - C. metallic money.
 - D. near money.
19. A student bought an apple juice from his/ her school canteen by paying Rs 35.
- The feature of money reflected in the given situation is referred as
- A. durability.
 - B. store of value.
 - C. medium of exchange.
 - D. standard of deferred payment.
20. If the government of a country increases the money supply and this increase is more than the increase in the total output of the country, then this will result in
- A. decrease in deflation.
 - B. decrease in unemployment.
 - C. increase in living standard.
 - D. increase in inflation.
21. A function that is MOST LIKELY performed by the central bank but is not performed by commercial banks is to
- A. accept utility bills of public.
 - B. encourage and holds deposits of public.
 - C. issue commercial letter of credit.
 - D. monitor money supply.
22. If the government of a country wants to use monetary tool to decrease consumption and demand, then it should
- A. decrease interest rate.
 - B. decrease tax rate.
 - C. increase interest rate.
 - D. increase tax rate.
23. Which of the following actions of the central bank will result in an increase in the overall credit of the economy?
- A. Decrease in interest rate
 - B. Increase in cash reserve ratio
 - C. Increase in interbank rate
 - D. Purchase of government securities

24. The central bank of a country plans to implement the contractionary monetary policy in the country.

The step that it should suggest to the government is to

- A. buy the government securities.
- B. decrease the interbank offer rate.
- C. decrease the interest rate.
- D. increase the cash reserve requirement.

25. In order to decrease the overall credit in an economy, a government should ask the central bank to

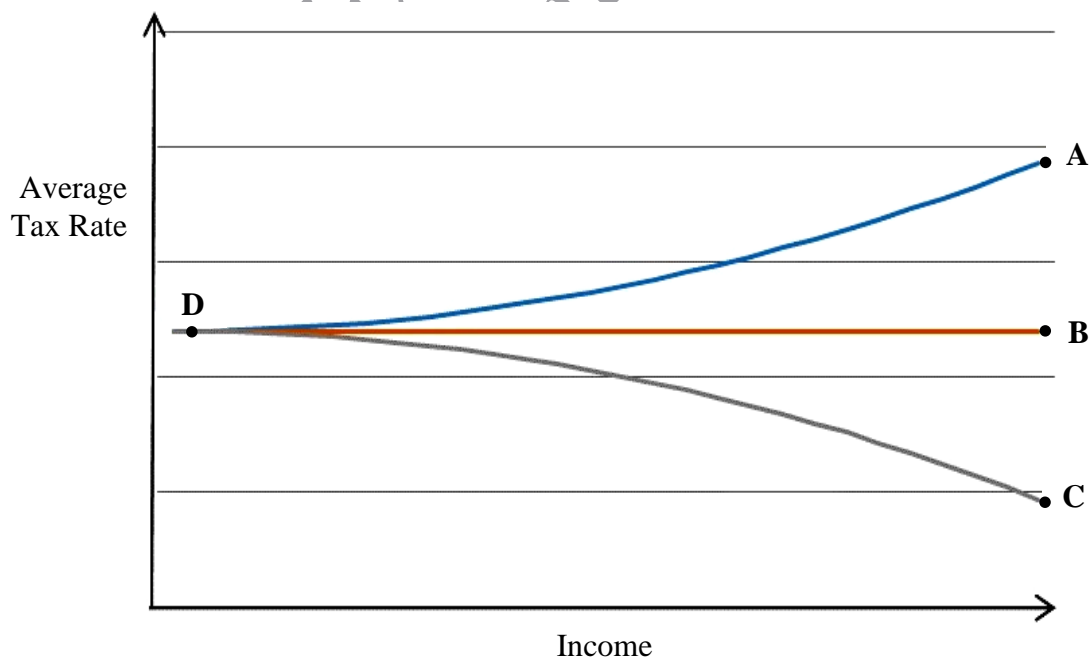
- A. increase the interest rate.
- B. decrease the interbank rate.
- C. decrease the cash reserve ratio.
- D. purchase the securities of the government.

26. A contract is a legal document in which one party transfers land, property, services, etc. to another for a specified time, usually in return for a periodic payment (i.e., rent).

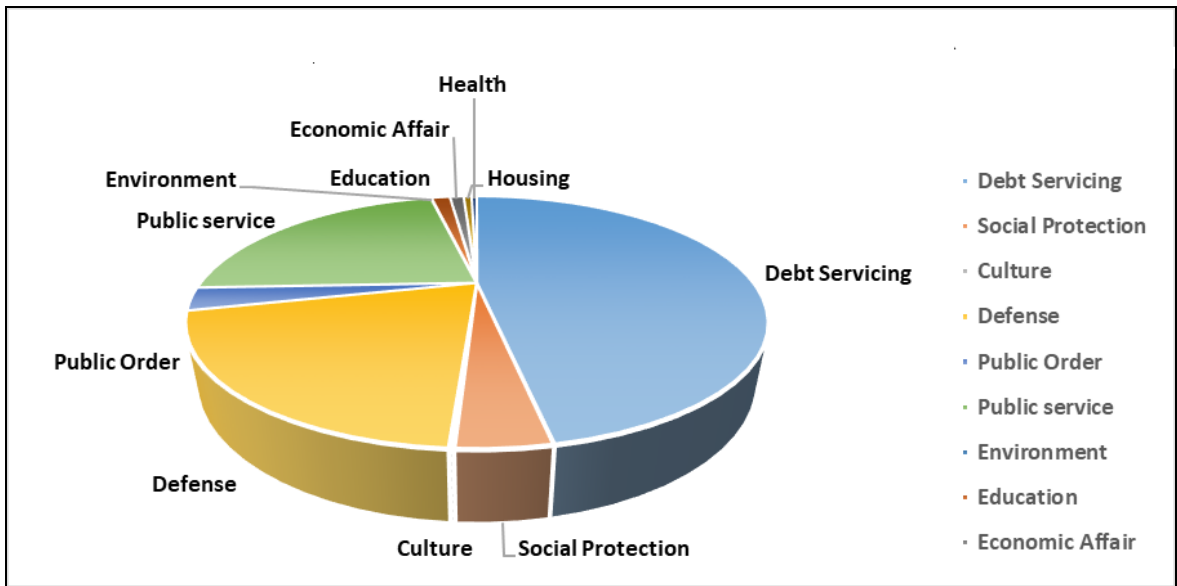
Under Islamic finance, the given contract comes under the umbrella of

- A. *Bai mu'ajjal.*
- B. *Ijarah.*
- C. *Musharaka.*
- D. *Murabaha.*

27. In the given graph, the curve representing a regressive tax is



28. The given graph depict the sectorial allocation of the federal budget of Country X.



The sector that is allocated with the LOWEST share of the federal budget is

- A. defense.
 - B. education.
 - C. health.
 - D. public administration.
29. All of the following are the sources of private finance for a business EXCEPT
- A. bank interest.
 - B. insurance premium.
 - C. sales commission.
 - D. sales tax revenue.
30. Which of the following is NOT considered as an objective of public finance?
- A. Bringing economic development
 - B. Maintaining price stability
 - C. Managing public needs
 - D. Removing economic disparity
31. If a government increases import tax on food items, then this step will be MOST beneficial for its
- A. consumers.
 - B. custom authorities.
 - C. farmers.
 - D. food importers.

32. The national budget of an economy is prepared while considering the
- A. public expectation with the political manifesto.
 - B. public expenditure with the sources of public revenue.
 - C. sources of public revenue with the expenditures.
 - D. standards of the international monetary institutions.
33. The economic growth rate of an economy is adversely affected by the increase in
- A. employment.
 - B. exports.
 - C. population.
 - D. taxes.
34. 'In this fragile and uneven period of global recovery, the World Economic Situation and Prospects 2022 calls for better targeted and coordinated policy and financial measures at the national and international levels. The time is now to close the inequality gaps within and among countries. If we work in solidarity – as one human family – we can make 2022 a true year of recovery for people and economies alike.'
- António Guterres
(Secretary-General of the United Nations)
- The economic growth (i.e., recovery) referred in the given excerpt BASICALLY highlights the increase in
- A. rate of inflation.
 - B. supply of the product.
 - C. uncertainty due to pandemic.
 - D. employment opportunities across the world.
35. The government of a country decreases the rate of income tax by 5%.
- The impact of the given action would be that the
- A. disposable personal income would increase and consumption would decrease.
 - B. inflation would increase and disposable personal income would decrease.
 - C. interest rate would increase and consumption would decrease.
 - D. interest rate would increase and inflation would decrease.
36. Due to continuous economic development in a developing country, workers tend to shift their jobs from
- A. primary to tertiary sector.
 - B. secondary to primary sector.
 - C. secondary to tertiary sector.
 - D. tertiary to primary sector.
37. All of the following are the factors that influence the pace of economic growth EXCEPT
- A. capital formation.
 - B. living standards.
 - C. natural resources.
 - D. technology.

38. All of the following are obligatory payments under Islamic economic system EXCPET for
- A. *Fitra.*
 - B. *Sadaqqah.*
 - C. *Ushr.*
 - D. *Zakat.*
39. Islamic economic system prohibits
- A. *Ijarah.*
 - B. interest .
 - C. wage
 - D. *Ushr.*
40. Areej is the owner of an agricultural farm irrigated through a tube well. The rate of *ushr* applied will be
- A. 2.5%
 - B. 5%
 - C. 10%
 - D. 20%

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