

AGA KHAN UNIVERSITY EXAMINATION BOARD

SECONDARY SCHOOL CERTIFICATE

CLASS X

ANNUAL EXAMINATIONS 2022

Economics

Time: 1 hour 40 minutes Marks: 50

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 50 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 (A) (B) ● (D)	1 (A) (B) (C) (D)
	2 (A) (B) (C) (D)
	3 (A) (B) (C) (D)
	4 (A) (B) (C) (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. The marks obtained on the 50 MCQs will be equated to the total marks of 75 for the theory examination results.
8. You may use a simple calculator if you wish.

1. If the national income of a country increases, then its 'net exports' will
 - A. decrease as the value of its exports increases.
 - B. decrease as the value of its imports increases.
 - C. increase as the value of its exports increases.
 - D. increase as the value of its imports increases.

2. In order to compute national income (NI) from gross national product (GNP), we
 - A. deduct depreciation, direct taxes and add subsidies.
 - B. deduct depreciation, indirect taxes and add subsidies.
 - C. deduct depreciation, subsidies and add indirect taxes.
 - D. deduct subsidies, indirect taxes and add depreciation.

3. The government of a country predicts an increase in the depreciation on capital assets.
This increase in depreciation will decrease the value of all of the following EXCEPT
 - A. gross national product (GNP).
 - B. national income (NI).
 - C. net national product (NNP).
 - D. personal income (PI).

4. The disposable personal income (DPI) of a consumer will increase due to
 - A. decrease in direct taxes.
 - B. decrease in subsidies.
 - C. increase in direct taxes.
 - D. increase in subsidies.

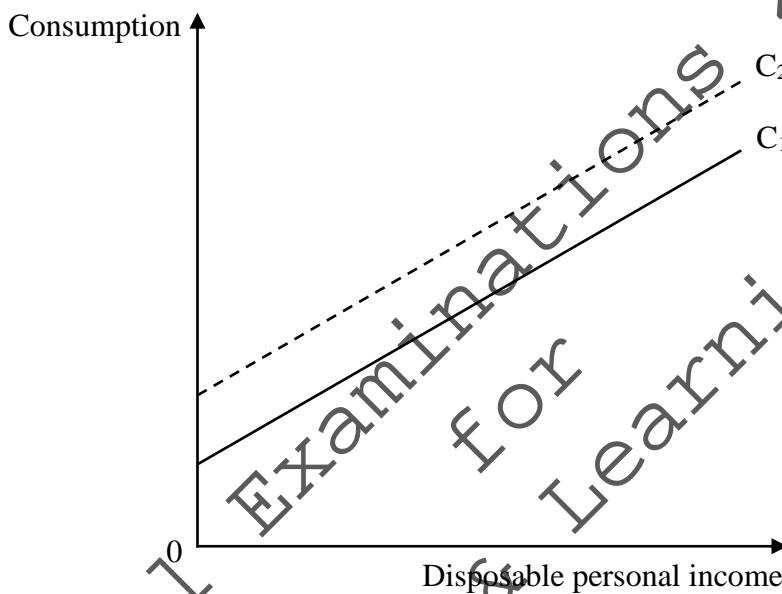
5. With reference to formula, per capita income (PCI) is
 - A. directly proportional to GDP and inversely proportional to population.
 - B. directly proportional to population and GDP.
 - C. directly proportional to population and inversely proportional to GDP.
 - D. inversely proportional to population and GDP.

6. Taxes help the government to implement its budgetary plans.
If the government increases the tax rate, then this will affect investment and consumption as
 - A. both will decrease.
 - B. both will increase.
 - C. investment would decrease, whereas consumption would increase.
 - D. investment would increase, whereas consumption would decrease.

7. Which of the following changes in total output and population would result in an increase in per capita income?

	Total Output	Total Population
A	Decrease by 5%	Remains constant
B	Increase by 6%	Increase by 7%
C	Decrease by 3%	Decrease by 6%
D	Remains constant	Increase by 5%

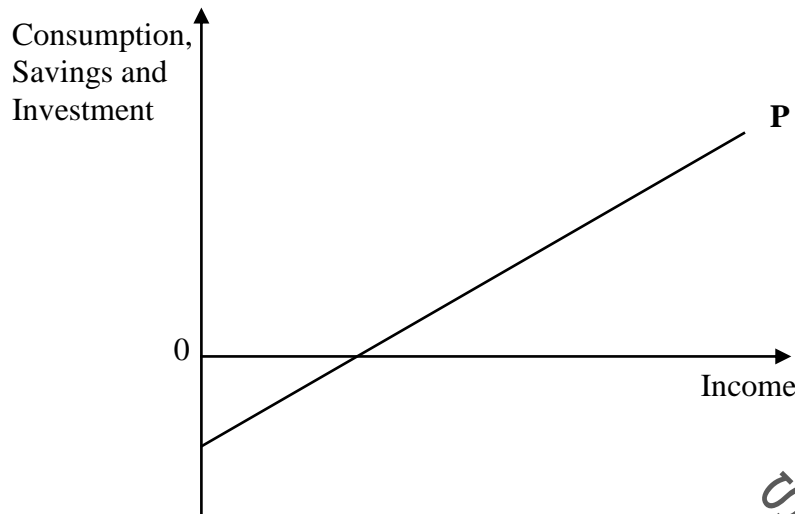
8. The given consumption function of a country shifted from C_1 to C_2 .



The POSSIBLE reason for such a shift in the consumption function could be the

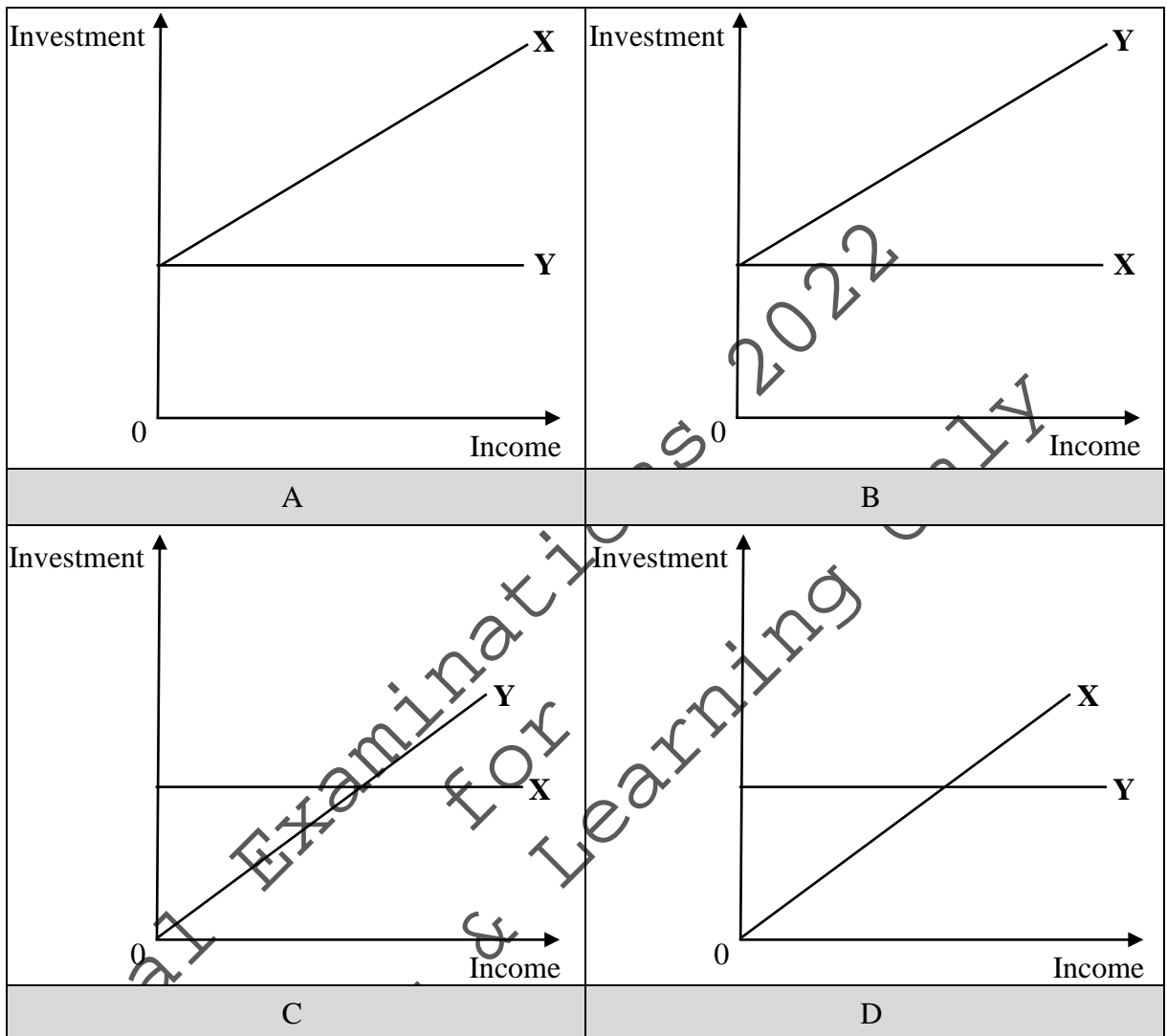
- A. decrease in interest rate.
- B. decrease in wealth of the population.
- C. increase in the rate of income tax.
- D. increase in unemployment rate.

9. If '0' in the given graph represents the origin, then the line **P** represents the



- A. consumption function.
B. demand function.
C. investment function.
D. saving function.
10. The formula used to calculate the marginal propensity to save is
- A. $\text{change in income} \div \text{change in savings}$
B. $\text{change in savings} \div \text{change in income}$
C. $\text{total income} \div \text{total savings}$
D. $\text{total savings} \div \text{total income}$
11. In economics, investment means the amount of money is
- A. deposited in the bank account for earning interest.
B. set aside for future uncertainties.
C. used for the purchases of capital equipment.
D. used for the sale of stocks and bonds.

12. The given graph that shows the CORRECT combination of autonomous investment **X** and induced investment **Y** is



13. Anas wanted to exchange a bag of wheat with his friend's goat, but his friend denied the offer as he wanted to exchange his goat with a bale of cotton.

The difficulty of the barter system depicted in the given scenario is termed as

- double coincidence of want.
 - high production cost.
 - impossibility of subdivision of goods.
 - lack of a standard unit of account.
14. Shamim Traders deals in stones, marbles and granites. They mostly prefer doing transactions in foreign currency especially in US dollars.

The characteristic of the US dollar reflected in the given situation is of

- portability.
- divisibility.
- store of value.
- general acceptability.

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15. If the intrinsic value of money is equal to its face value, then this type of money is known as

- A. credit money.
- B. fiat money.
- C. paper money.
- D. standard money.

16. All of the following are considered as types of credit money EXCEPT

- A. bank draft.
- B. cash.
- C. cheque.
- D. promissory note.

17. The purchasing power of money is the quantity of goods or services that one can buy

- A. from a unit of currency.
- B. across a financial period or year.
- C. in a single purchasing transaction.
- D. through his/ her entire income or wage.

18. The purchasing power of an individual will decrease because of

- A. the decrease in exchange rates of the currency.
- B. an increase in current salaries lower than the inflation rate.
- C. the decrease in interest rate on advances by commercial banks.
- D. an increase in rate of returns on the securities and bonds by the governments.

19. Suppose the money supply of an economy has increased.

The IMMEDIATE impact of this increase will be an increase in the

- A. employment level.
- B. import level.
- C. inflation rate.
- D. interest rate.

20. A company increased the salaries of its workers by 5.5%, whereas the general inflation rate in the economy is 8.5%.

With reference to the given situation, the real income (purchasing power) of the workers in the company has

- A. decreased by 3%.
- B. decreased by 14%.
- C. increased by 3%.
- D. increased by 14%.

21. If the central bank of a country increases the discount rate, then the POSSIBLE effect of this increase on savings and consumption would be

	Savings	Consumption
A	increase	increase
B	increase	decrease
C	decrease	increase
D	decrease	decrease

22. With reference to an economy, devaluation of a currency will result in an increase in the

- A. balance of payments (BoP) deficit.
- B. exports.
- C. imports.
- D. production of goods.

23. Fiona Bank has been established with a key objective of accepting deposits for lending purpose.

With reference to the types of banks, Fiona Bank is classified as a/ an

- A. agriculture bank.
- B. central bank.
- C. commercial bank.
- D. industrial bank.

24. A specialised banking institution is established with an objective to provide banking services to low-income individuals or groups for expanding their businesses.

The bank identified from the given description is

- A. agriculture bank.
- B. industrial bank.
- C. commercial bank.
- D. micro finance bank.

25. For purchasing a new machine, Altaf has taken Rs 300,000 from Azmina Bank for a period of 2 years.

The given function performed by Azmina Bank is known as

- A. accepting the bill of exchange.
- B. accepting deposits.
- C. advancing loans.
- D. issuing a bank overdraft.

26. Commercial banks do not print money but create credit by

- A. assisting companies in public offer of shares.
- B. lending money to their customers.
- C. providing utility services to their customers.
- D. selling government securities.

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27. The central bank of a country has the sole authority to
- accept the bill of exchange and letter of credit.
 - accept deposits and advance loans.
 - issue currency notes.
 - provide shares to the public.
28. If the government of a country wants to use monetary tools to increase consumption and aggregate demand, then it should
- decrease the interest rate.
 - decrease the tax rate.
 - increase the interest rate.
 - increase the tax rate.
29. Which of the following options CORRECTLY depicts the objective and expected outcome of the expansionary monetary policy?

	Objective	Expected Outcome
A	Lower unemployment rate	Increase in money supply
B	Lower unemployment rate	Decrease in money supply
C	Lower inflation rate	Increase in money supply
D	Lower inflation rate	Decrease in money supply

30. On a three-year term, Shafaq bank sold a piece of land to a customer at a mutually agreed profit of 10%.

The Islamic mode of finance identified from the given situation is

- Bai' salam.*
 - Bai mu'ajjal.*
 - Mudarabah.*
 - Murabaha.*
31. Domestic trade takes place between the two
- continents.
 - countries.
 - peninsulas.
 - provinces.
32. Due to increase in the cost of production, the price of local goods has increased by 10%. This increase in the price of local goods is more than the increase in the price of foreign goods.
- In the given situation, the impact of change in price on foreign trade would be that the
- exports and imports both would decrease.
 - exports and imports both would increase.
 - exports would decrease, whereas the imports would increase.
 - exports would increase, whereas the imports would decrease.

33. During last five years, almost 60% of Pakistan's exports consisted of
- chemicals, paints and lubricants.
 - cotton yarn, cloth and value-added textiles.
 - dry fruits and fresh fruits.
 - sports goods and accessories.
34. Which of the following is the part of the balance of trade?
- Export of invisible items
 - Foreign exchange reserve
 - Import of visible items
 - Remittances
35. If the deficit of invisible trade is more than the surplus of the visible trade, then the balance of payments (BoP) of a country shows a
- deficit in its capital account.
 - deficit in its current account.
 - surplus in its capital account.
 - surplus in its current account.
36. The receipt that will be classified under the capital account head of balance of payments (BoP) is the
- income from the sale of patents and copyrights.
 - receipts from the sale of non-financial assets.
 - receipts from the sale of handicrafts.
 - payments against import of cars.
37. Capital account surplus in balance of payments (BoP) means that the value of exports will
- decrease more than the increase in imports in the long run.
 - increase more than the decrease in imports in the long run.
 - decrease more than the increase in imports in the short run.
 - increase more than the decrease in imports in the short run.
38. The rate that is PRIMARLY responsible for maintaining equilibrium in the balance of payments is
- discount rate.
 - exchange rate.
 - inflation rate.
 - interest rate.
39. The government of a country is planning to increase investment in the country.
- The BEST way of achieving this would be by
- increasing the interest rate.
 - increasing the liquidity ratio.
 - reducing the cash reserve ratio.
 - selling the government securities.

40. If the government of a country increases the tariffs and imposes quota on imported goods, then, in the short run, this will lead to an increase in
- A. inflation.
 - B. the demand of imported goods.
 - C. the quantity of consumer goods.
 - D. unemployment.
41. Trade protectionism policy studies the increase in
- A. import tax.
 - B. income tax.
 - C. property tax.
 - D. wealth tax.
42. If the balance of trade of a country is in deficit when the balance of payments is in surplus, then this is because of the
- A. exports of invisible items.
 - B. exports of visible items.
 - C. imports of invisible items.
 - D. imports of visible items.
43. The CORE objective of public finance is
- A. to control credit.
 - B. the equitable distribution of income.
 - C. to plan population growth.
 - D. the provision of trade and commerce.
44. The policy that is practised by the government for planning and preparing the annual budget is known as
- A. fiscal policy.
 - B. foreign policy.
 - C. monetary policy.
 - D. trade policy.
45. If there is no change in the economic policy of the government, then the most LIKELY impact of the recession on tax revenues and government expenditures would be

	Tax Revenues	Government Expenditures
A	increase	decrease
B	increase	increase
C	decrease	decrease
D	decrease	increase

46. With reference to Pakistan, the public revenue can be increased by
- A. decreasing the rate of employment.
 - B. decreasing the rate of interest.
 - C. increasing the rate of indirect taxes.
 - D. increasing the subsidies.
47. The money borrowed from foreign sources by the government is invested in the development of infrastructure i.e. railways, irrigation and power generation. These loans are self-liquidating as the interest and principal amount is paid out of income earned through these projects within the life time of the project.

The given description of public debt is classified as

- A. foreign aid.
 - B. foreign grant.
 - C. foreign non-productive debt.
 - D. foreign productive debt.
48. In order to increase its revenue, the board of revenue of a country increases the rate of general sales tax (GST) from 12% to 14%.

The type of tax and system highlighted in the given situation is

- A. direct and progressive.
 - B. direct and proportional.
 - C. indirect and progressive.
 - D. indirect and proportional.
49. Zova earns Rs 120,000, on which she pays an income tax of Rs 9,000. Furthermore, she bought groceries worth Rs 23,000 on which she paid a general sales tax of Rs 2,500.

The amount of indirect tax paid by Zova is

- A. Rs 2,500
 - B. Rs 6,500
 - C. Rs 9,000
 - D. Rs 11,500
50. Aleem paid Rs 45,000 as tax to the revenue department when his total earnings was Rs 900,000.

If his income increases to Rs 1,200,000, then which of the following amounts indicates that the tax mechanism is regressive?

- A. Rs 55,000
- B. Rs 60,000
- C. Rs 65,000
- D. Rs 70,000

Please use this page for rough work

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