

AGA KHAN UNIVERSITY EXAMINATION BOARD

HIGHER SECONDARY SCHOOL CERTIFICATE

CLASS XI

ANNUAL EXAMINATIONS (THEORY) 2023

Principles of Economics Paper I

Time: 1 hour 10 minutes Marks: 40

INSTRUCTIONS

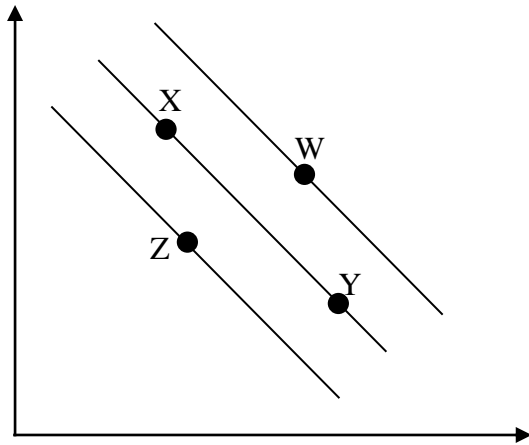
1. Read each question carefully.
2. Answer the questions on the separate answer sheet provided. DO NOT write your answers on the question paper.
3. There are 100 answer numbers on the answer sheet. Use answer numbers 1 to 40 only.
4. In each question, there are four choices A, B, C, D. Choose ONE. On the answer grid, black out the circle for your choice with a pencil as shown below.

Correct Way				Incorrect Ways			
1	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

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. The movement of the curve in the given image is shown by all of the following EXCEPT



- A. W to Y.
B. X to W.
C. X to Z.
D. Y to X.
2. Which of the following economists has defined economics as 'a science of material welfare'?
- A. Adam Smith
B. Alfred Marshall
C. John Maynard Keynes
D. Lionel Robbins
3. Read the following features:
- Begins with general assumptions and moves to particular conclusions
 - Develops a theory and then examines the facts to see if it follows the theory

Based on the given features, the correct method of studying economics is identified as

- A. deductive.
B. inductive.
C. normative.
D. positive.
4. When the marginal utility of consuming a good becomes negative, then its
- A. average utility becomes negative.
B. average utility increases.
C. total utility becomes negative.
D. total utility decreases.

5. The given table shows the utility of Ayan which is derived from eating an ice cream in an ice cream parlour.

Scope of ice cream	Utils (Utility)
01	10
02	07
03	04
04	01
05	-02

The given table depicts the law of

- A. constant returns.
 B. decreasing returns.
 C. diminishing marginal utility.
 D. increasing marginal returns.
6. While applying the law of diminishing marginal utility, it is assumed that
- A. consumers' behaviour will be irrational.
 B. consumption of goods is in intervals and is not continuous.
 C. the income of the consumer remains constant during the consumption.
 D. the quality of goods upgrades over a period of consumption.
7. The given schedule reflects a consumer's behaviour on different prices of tomatoes.

	Price per kg	Quantity Demanded in kg
I.	40	8
II.	60	4
III.	80	5
IV.	120	1

Which of the given combinations of changes in price and the quantity demanded is NOT in accordance with the law of demand?

- A. I to II
 B. I to III
 C. II to III
 D. III to IV

PLEASE TURN OVER THE PAGE

8. A negative slope in a demand curve occurs when
- A. both price and quantity demanded increase or decrease simultaneously.
 - B. decrease in price has no impact on quantity demanded.
 - C. increase in price has no impact on quantity demanded.
 - D. price increases and quantity demanded decreases.

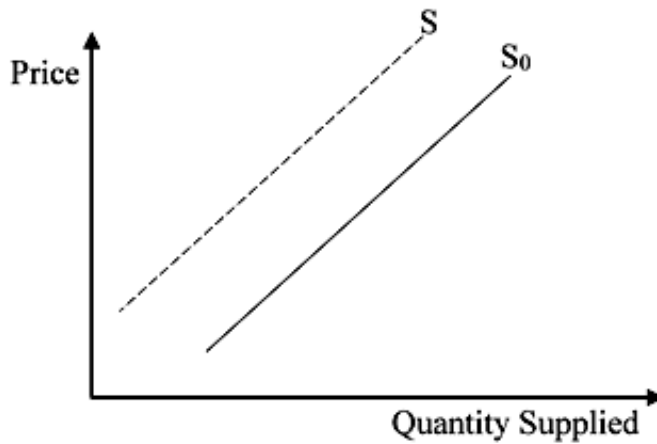
9. Given are the details extracted from the vegetable section of a super mart.

	Price of Onions per 100 kg	Quantity Demanded in kg
1st week of December	5,500	12,500
2nd week of December	6,500	11,500

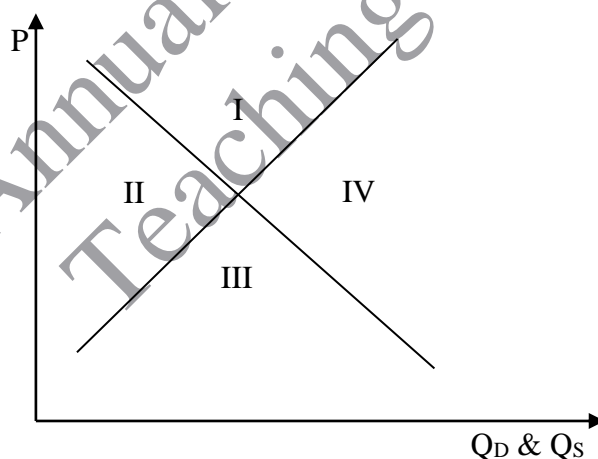
The price elasticity of demand for the onion is

- A. 0.10
 - B. 0.44
 - C. 2.25
 - D. 10.0
10. If a manufacturing firm's output is perfectly elastic, then such firm is prevailing in a
- A. monopolistic competition.
 - B. monopoly.
 - C. oligopoly.
 - D. perfect competition.
11. The quantity of goods that is brought in the market for sale at a particular price is known as
- A. demand.
 - B. production.
 - C. stock.
 - D. supply.

12. As per the law of supply, the factor responsible for the shift in supply curve from S_0 to S of a commodity in the given graph is the

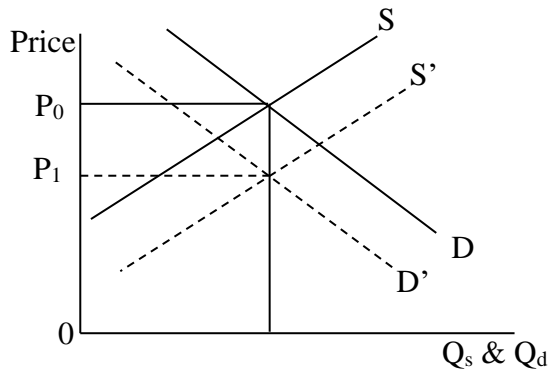


- A. announcement of tax relaxation scheme by the government.
 B. availability of fuel and energy resources on subsidy.
 C. fall in aggregate demand in the economy.
 D. sharp fall in the cost of raw material.
13. If the value of price elasticity of supply is zero, then it can be illustrated graphically by drawing a
- A. horizontal line parallel to X-axis.
 B. line at 30° from the vertex.
 C. line at 45° from the vertex.
 D. vertical line parallel to Y-axis.
14. In the given graph, the area for the excess supply after equilibrium is at



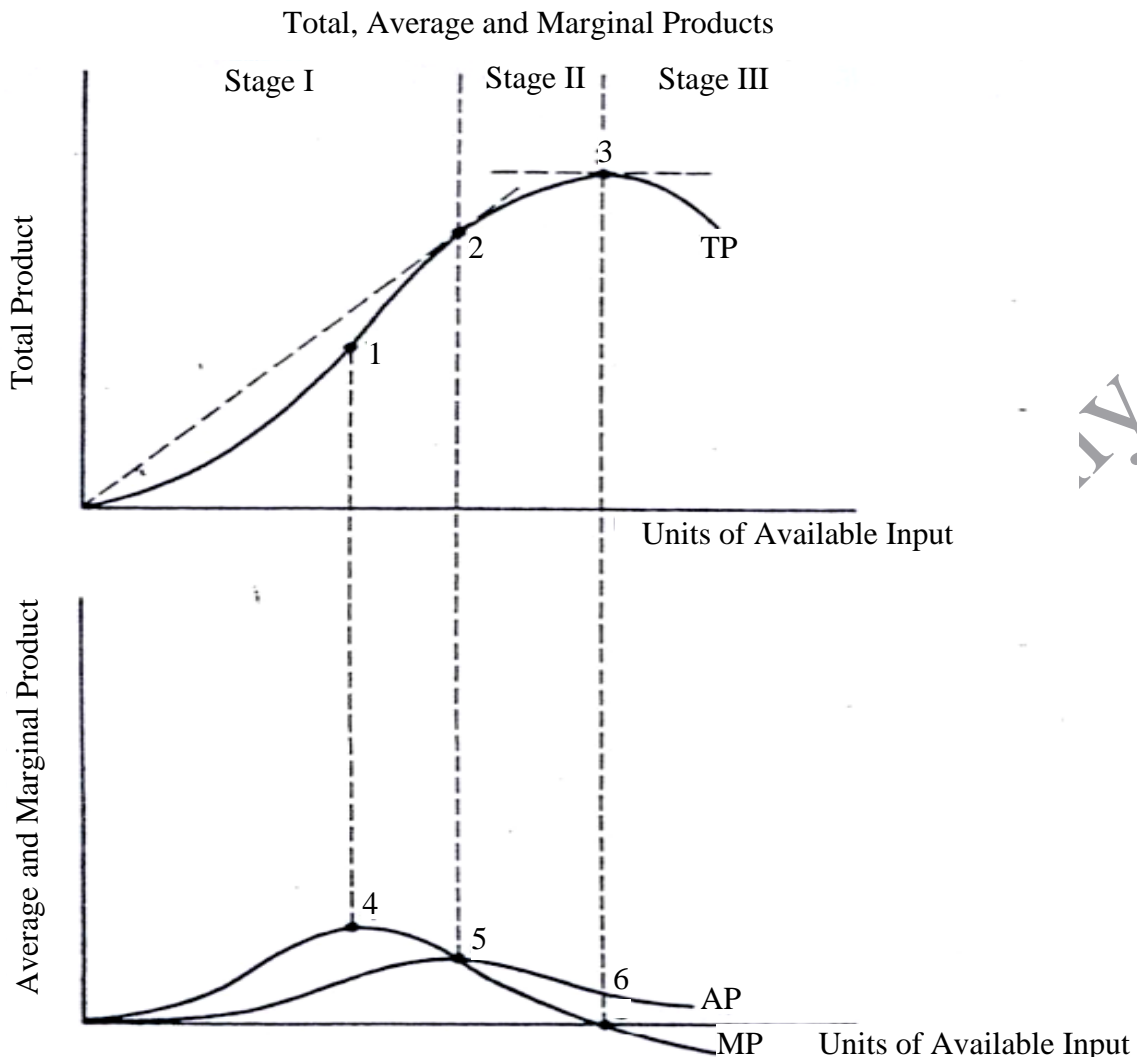
- A. I.
 B. II.
 C. III.
 D. IV.

15. In the given graph, the equilibrium price has fallen down from P_0 to P_1 but the equilibrium quantity remains unchanged. This is due to the



- A. increase in supply and decrease in demand.
 B. equal decrease in both supply and demand.
 C. equal increase in both supply and demand.
 D. decrease in supply and increase in demand.
16. Inflation is always used in negative connotation but it may also have positive impact on the economy.
- Which of the following is the favourable effect of 'steady increase in the rate of inflation'?
- A. Decrease in productive investment
 B. Decrease in unemployment
 C. Increase in the cost of living
 D. Increase in imports and decrease in exports
17. Which of the following functions of money depicts the property of store of value?
- A. Divisibility
 B. Durability
 C. Tangibility
 D. Transferability
18. Suppose an industrial economy is constantly facing the issue of rising price level of raw materials and labour wages.
- In the given scenario, the economy will face a/ an
- A. decrease in cost push inflation.
 B. decrease in demand pull inflation.
 C. increase in cost push inflation.
 D. increase in demand pull inflation.
19. With reference to production curves, when an average product is rising then the marginal product will
- A. be above the average product.
 B. be below the average product.
 C. be equal to the average product.
 D. have no impact on the average product.

20. Review the given graph:



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

In the given graph, when the TP will be at its maximum, the MP will be

- A. maximum.
- B. minimum.
- C. negative.
- D. zero.

21. Mr Salim established a business at a rented place for trading fertilisers and seeds.

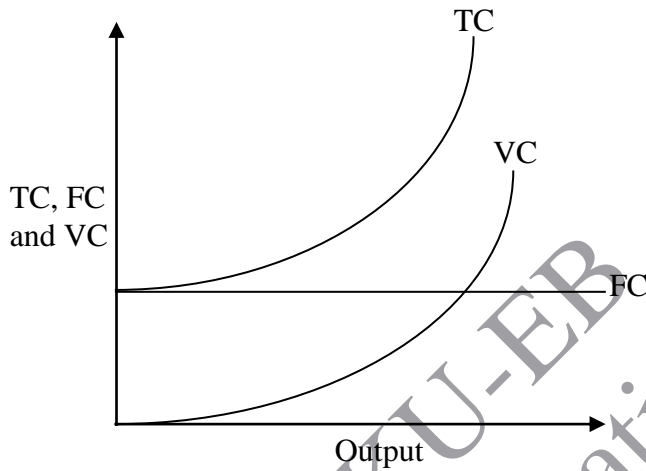
Which of the following will be considered as an economic return of his entrepreneurship?

- A. Interest
- B. Profit
- C. Rent
- D. Wage

22. Which of the following expenses is considered as an implicit cost of a business?

- A. Advertising expense
- B. Packaging expense
- C. Paid off job training expense
- D. Transportation expense

23. Review the following graph:



The given graph depicts that average cost of the firm will always increase if the

- A. fixed cost is declining.
- B. fixed cost remains constant.
- C. variable cost is declining.
- D. variable cost is increasing.

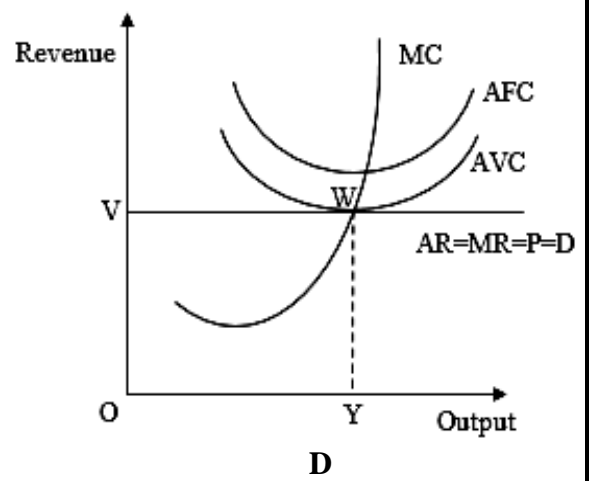
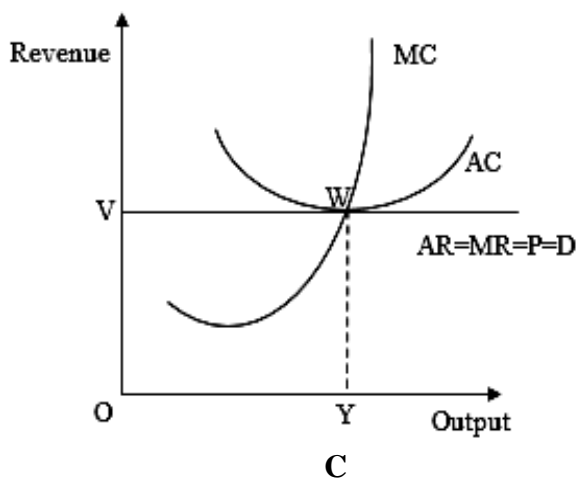
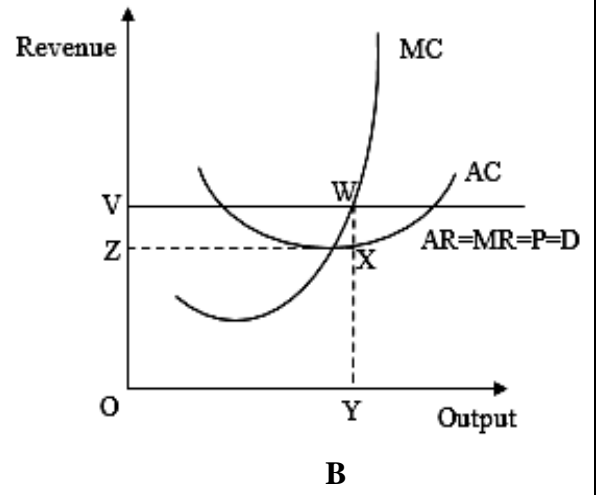
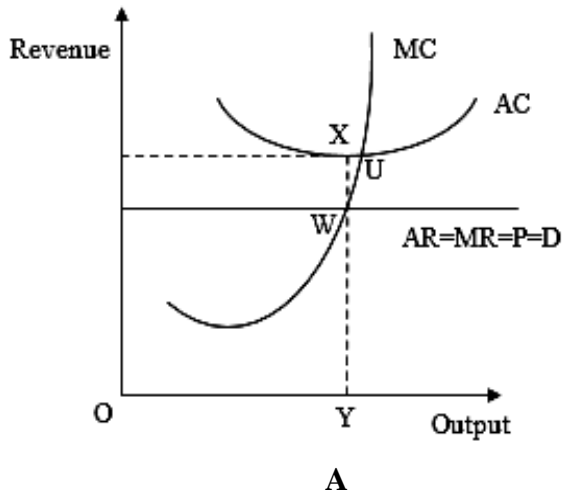
24. The following table represents cost figures of a production house.

No. of Unit Produced	Fixed Cost (per unit)	Variable Cost (per unit)	Total Production Cost
01	25	24	49
02	25	22	94
03	25	20	135
04	25	18	172
05	25	16	205

Upon producing the fifth unit, the average cost will be

- A. 16
- B. 25
- C. 41
- D. 43

25. Which of the following graphs show the break-even point of a firm under perfect competition?



26. With reference to buyers and sellers in the market, which of the following conditions is **CORRECT** for a monopolistic competition (i.e. imperfect competition)?

	Buyer	Seller
A	many	few
B	few	many
C	few	few
D	many	many

27. All of the following are the assumptions of a perfect competitive market EXCEPT that
- A. buyers and sellers have sufficient information to make informed decisions.
 - B. it promotes economies of scale and product specialisation.
 - C. goods are identical, rival and excludable.
 - D. there are no external effects or government interventions.

28. Maham inherited agricultural land from her family in different localities. She offered her land to different tenants for agriculture purposes given that there are no alterations to the land.

The rent earned in the given situation will be classified as

- A. nominal rent.
 - B. economic rent.
 - C. gross rent.
 - D. quasi rent.
29. Rafay has been hired in a factory. The agreement related to wages says that Rafay will be given Rs 25,000 per month plus Rs 1 for every 10 units he produces.

With reference to the given situation, the types of wages received by Rafay are

- A. contractual and cash wages.
 - B. contractual and piece wages.
 - C. kind and piece wages.
 - D. time and kind wages.
30. To overcome the economic crisis and achieve macroeconomic objectives, a government can take all of the following measures EXCEPT
- A. improving employment rate.
 - B. increasing import duty on vehicles.
 - C. minimising the trade deficit.
 - D. stabilising the currency exchange rate.

31. National income means the monetary value of all the goods and services produced by a country in a

- A. fiscal year.
- B. month.
- C. quarter year.
- D. semi year.

32. While computing national income, the biggest challenge takes place at the time of considering the value of

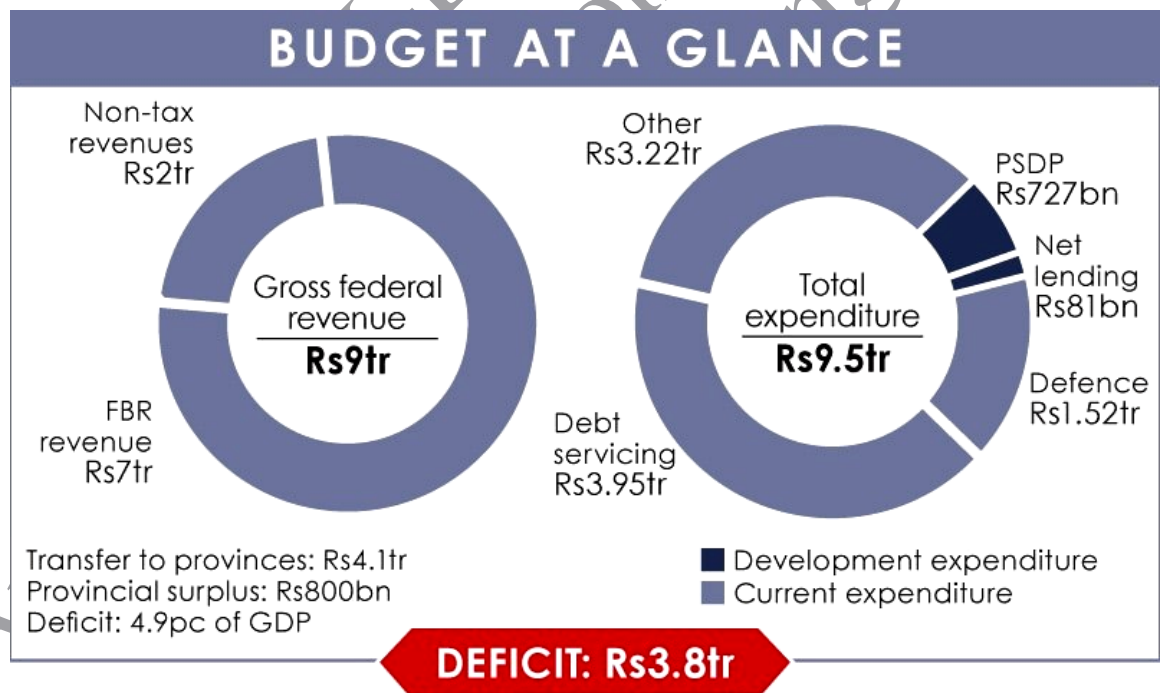
- A. expenditures on transfer payments by government (i.e., pensions, interest on public debt).
- B. purchase of old shares (stocks) and bonds (debentures).
- C. self-consumed goods.
- D. transfer payments (i.e., gifts, donations, scholarships).

33. The fluctuation in the aggregate economic activity of a nation between periods of expansion (growth) and contraction (recession) is generally termed as
- accounting cycle.
 - business cycle.
 - market cycle.
 - product life cycle.

34. An economy is going through a phase where the inflation rate and unemployment rate both are high.

The phase preceding the described phase is

- boom.
 - recession.
 - recovery.
 - slump.
35. The given infographic depicts the federal budget of Pakistan 2022-23.



Based on the given infographic, the MAJOR reason for the budgetary deficit between revenues and expenditures is

- debt servicing.
- defense expenditures.
- surplus of FBR(Federal Bureau of Revenue) revenues.
- high PSDP (Public Sector Developmental Projects) expenditures.

36. As per economic survey of Pakistan 2020-21, the MAJOR trade export partner of Pakistan is
- A. China.
 - B. USA.
 - C. Russia
 - D. Japan

37. The given table shows the production of sugar and clothing of two countries.

	Sugar (tons)	Clothing (units)
Country A	100	50
Country B	75	25

With reference to theory of absolute advantage, which of the following is CORRECT?

- A. Country A has absolute advantage over country B in the production of both products.
 - B. Country A has absolute advantage over country B in the production of clothing only.
 - C. Country A has absolute advantage over country B in the production of sugar only.
 - D. Country B has absolute advantage over country A in the production of both products.
38. An example of an indirect tax would be
- A. bank withholding tax.
 - B. general sales tax.
 - C. income tax.
 - D. property tax.
39. Tax imposed by a government on general consumer goods is
- A. direct tax.
 - B. indirect tax.
 - C. progressive tax.
 - D. ad valorem tax.
40. The biggest significance of *Zakat* in the Islamic society is that it condemns the
- A. attainment of financial autonomy.
 - B. eradication of poverty.
 - C. hoarding of money.
 - D. misuse of authority.

Please use this page for rough work

AKU-EB
Annual Examination 2023 for
Teaching and Learning only

Please use this page for rough work

AKU-EB
Annual Examination 2023 for
Teaching and Learning only

Please use this page for rough work

AKU-EB
Annual Examination 2023 for
Teaching and Learning only

Please use this page for rough work

AKU-EB
Annual Examination 2023 for
Teaching and Learning only