

**Class: XII****Time Allowed: 25 minutes****Q1:**

MODEL PAPER 2026
SUBJECT: ECONOMICS
(SECTION "A")

Marks: 20

Note: Attempt ALL questions from Section 'A'. Each question carries ONE mark.

1. What is personal income?
 - A. The total income earned by all individuals in an economy
 - B. The income earned by individuals from various sources
 - C. The income earned by businesses
 - D. The income earned by the government
2. How is Net National Product (NNP) calculated?
 - A. Gross National Product - Depreciation
 - B. Gross Domestic Product - Depreciation
 - C. National Income - Depreciation
 - D. Personal Income - Depreciation
3. What is the income that individuals have available for spending or saving after taxes?
 - A. Disposable income.
 - B. Personal income.
 - C. National income.
 - D. Gross Domestic Product.
4. What determines consumption according to the consumption function?
 - A. Interest rate.
 - B. Government policies.
 - C. Level of investment.
 - D. Level of income.
5. According to the classical school of thought, what is the primary cause of business cycles?
 - A. Monetary factors.
 - B. External shocks.
 - C. Over production.
 - D. Quick adjustment of market forces
6. What happens in deflation?
 - A. A sustained increase in the general price level.
 - B. A sustained decrease in the general price level.
 - C. A stable general price level.
 - D. A rapid economic growth.
7. How is the unemployment rate calculated?
 - A. $(\text{Number of employed} / \text{Labour force}) \times 100$.
 - B. $(\text{Number of unemployed} / \text{Labour force}) \times 100$.
 - C. $(\text{Number of unemployed} / \text{Total population}) \times 100$.
 - D. $(\text{Number of employed} / \text{Total population}) \times 100$.
8. What is one of the primary functions of money in an economy?
 - A. To act as a store of value.
 - B. To determine the value of goods and services.
 - C. To facilitate barter transactions.
 - D. To regulate prices.
9. Which of the following is an example of a financial institution?
 - A. Stock exchange.
 - B. Manufacturing firm.
 - C. Insurance company.
 - D. Commercial bank.
10. What is the purpose of a mutual fund?
 - A. To provide loans to businesses.
 - B. To regulate the stock market.
 - C. To invest in a diversified portfolio of securities.
 - D. To manage foreign exchange reserves.
11. What is the role of the State Bank of Pakistan in relation to commercial banks?
 - A. To regulate and supervise commercial banks.
 - B. To provide loans to commercial banks.
 - C. To compete with commercial banks for deposits.
 - D. To accept deposits from commercial banks.
12. According to the Theory of Comparative Advantage, what should a country do?
 - A. Produce all goods and services domestically.
 - B. Specialise in producing goods for which it has a lower opportunity cost.
 - C. Import all goods and services.
 - D. Export all goods and services.
13. What is the balance of trade (BOT)?
 - A. The difference between the value of exports and imports of goods.
 - B. The difference between the value of exports and imports of services.
 - C. The difference between the total value of exports and imports of both goods and services.
 - D. The total value of exports.
14. What is one benefit of Foreign Direct Investment (FDI) by Multinational Corporations (MNCs) in Pakistan?
 - A. Increased dependence on foreign aid.
 - B. Reduced employment opportunities.
 - C. Decreased economic growth.
 - D. Transfer of technology and management skills.
15. Which of the following is a source of public revenue?
 - A. Sales revenue.
 - B. Property tax.
 - C. Dividend income.
 - D. Interest on loans.
16. What is direct taxation?
 - A. Taxation on goods and services.
 - B. Taxation on imports and exports.
 - C. Taxation on income and wealth.
 - D. Taxation on businesses.
17. Which sector typically receives a significant allocation in the Pakistan national budget?
 - A. Defense.
 - B. Education.
 - C. Healthcare.
 - D. Agriculture.
18. Which of the following is an example of frictional unemployment?
 - A. A worker losing their job due to a recession.
 - B. A worker quitting their job to look for a better one.
 - C. A worker is being laid off due to automation.
 - D. A worker is unable to find a job due to a lack of skills.
19. What is the main feature of an Islamic economic system?
 - A. Interest-based banking
 - B. Zakat and Ushr as main sources of revenue
 - C. Private ownership with social responsibility
 - D. Central planning
20. What is the primary source of income for most Pakistanis?
 - A. Agriculture
 - B. Industry
 - C. Services
 - D. Manufacturing

END OF SECTION A



Class: XII

MODEL PAPER 2026

Time: 2 hours 35 minutes

SUBJECT: ECONOMICS (SECTION “B” AND SECTION “C”)
SECTION “B” (SHORT ANSWER QUESTIONS)

Total Marks 80

40 Marks

Note: Attempt any **EIGHT** questions from Section ‘B’. Each question carries **FIVE** marks.

- Q.2 List the steps involved in calculating GDP using the product approach.
- Q.3 Identify the components of the circular flow of income.
- Q.4 Describe the causes of frictional, structural, and cyclical unemployment in Pakistan.
- Q.5 Explain the significance of Fisher’s equation in understanding the relationship between nominal interest rates and real interest rates in Pakistan.
- Q.6 Describe the features of different types of accounts offered by commercial banks in Pakistan.
- Q.7 Explain Mercantilism and its significance in the history of international trade theory.
- Q.8 Identify the demerits of globalization on Pakistan's economy.
- Q.9 List the regional trade bodies that Pakistan is a part of them.
- Q.10 Explain the canon of certainty in taxation and identify its benefits for tax payers in Pakistan.
- Q.11 Describe the impact of the national budget on Pakistan's economic growth and development.
- Q.12 Describe how Zakat and Ushr can help reduce wealth concentration in Pakistan's economy.
- Q.13 Explain the structure of Pakistan's economy, highlighting its key features.

SECTION “C” (DETAILED ANSWER QUESTIONS)**40 Marks****Note:** Attempt any **TWO** questions from Section ‘C’. Each question carries **TWENTY** marks.

- Q.14 (a) Discuss the potential challenges and risks associated with international trade.
- Q.14 (b) Evaluate the significance of real GDP as an indicator of economic growth and development.
- Q.15 (a) Analyze the impact of inflation on the value of money in Pakistan society.
- Q.15 (b) Assess the impact of interest rates on the demand for loans and credit in Pakistan's banking sector.
- Q.16 (a) Compare and contrast the principles of Islamic economics with those of conventional economic systems.
- Q.16 (b) Discuss the role of Zakat in wealth distribution and social welfare within the Pakistani context.

END OF PAPER