

**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. (Number of employed / Labour force) x 100.
  - B. (Number of unemployed / Labour force) x 100.
  - C. (Number of unemployed / Total population) x 100.
  - D. (Number of employed / Total population) x 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

Time: 2 hours 35 minutes

**MODEL PAPER 2026**  
**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**