



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



ZIAUDDIN UNIVERSITY

EXAMINATION BOARD

Answer Key- Sec A
Economics XII Model Examination Paper 2026

S #	Option
1	B
2	A
3	A
4	D
5	B
6	B
7	B
8	A
9	D
10	C
11	A
12	B
13	A
14	D
15	B
16	C
17	A
18	B
19	C
20	A



Rubric

Model Examination Paper 2026

Class: XII

Subject: Economics

Section: B

Q.2 List the steps involved in calculating GDP using the product approach.

Level	Unsatisfactory	Marginal	Good	Exemplary
Max. Marks	0	1-2	3-4	5
Description	Provides no response or provides irrelevant response	<ul style="list-style-type: none">- Lists 1 step in calculating GDP using product approach- Shows limited understanding of GDP calculation- Lacks specific details or explanations about steps- Fails to address parts of the question	<ul style="list-style-type: none">- Lists 2-3 steps in calculating GDP using product approach- Shows some understanding of GDP calculation process- Provides some details or explanations about steps- Addresses most parts of the question	<ul style="list-style-type: none">- Clearly lists 4+ steps in calculating GDP using product approach- Shows clear understanding of GDP calculation process- Provides relevant details and explanations about steps- Addresses all parts of the question effectively

Q.3 Identify the components of the circular flow of income.

Level	Unsatisfactory	Marginal	Good	Exemplary
Max. Marks	0	1-2	3-4	5
Description	Provides no response or provides irrelevant response	<ul style="list-style-type: none"> - Lists 1 component of circular flow of income - Shows limited understanding of circular flow concept - Lacks specific details or explanations about components - Fails to address parts of the question 	<ul style="list-style-type: none"> - Identifies 2-3 components of circular flow of income - Shows some understanding of circular flow model - Provides some details or explanations about components - Addresses most parts of the question 	<ul style="list-style-type: none"> - Clearly identifies 4+ components of circular flow of income - Shows clear understanding of circular flow concept - Provides relevant details and explanations about components - Addresses all parts of the question effectively

Q.4 Describe the causes of frictional, structural, and cyclical unemployment in Pakistan.

Level	Unsatisfactory	Marginal	Good	Exemplary
Max. Marks	0	1-2	3-4	5
Description	Provides no response or provides irrelevant response	<ul style="list-style-type: none"> - Fails to define types of unemployment. - Does not recognize causes. - Lacks specific examples. 	<ul style="list-style-type: none"> - Defines frictional (e.g., job search), structural (e.g., skill mismatch), and cyclical (e.g., economic downturn) unemployment. - Describes causes (e.g., frictional: job search time; structural: skill gaps; cyclical: economic fluctuations). - Provides relevant examples. 	<ul style="list-style-type: none"> - Thoroughly describes causes of each type of unemployment. - Provides specific and nuanced examples (e.g., frictional: job search process; structural: industry changes; cyclical: economic trends). - Demonstrates in-depth understanding of unemployment types and their causes in Pakistan. - Offers insightful analysis of implications and potential solutions.

Q.5 Explain the significance of Fisher’s equation in understanding the relationship between nominal interest rates, real interest rates, and inflation in Pakistan.

Level	Unsatisfactory	Marginal	Good	Exemplary
Max. Marks	0	1-2	3-4	5
Description	Provides no response or provides irrelevant response	<ul style="list-style-type: none"> - Fails to define Fisher's equation. - Does not recognize relationship between nominal interest rates, real interest rates, and inflation. - Lacks understanding of significance. 	<ul style="list-style-type: none"> - Defines Fisher's equation (e.g., nominal interest rate = real interest rate + expected inflation). - Explains relationship between variables (e.g., nominal rate reflects inflation expectations). - Recognizes significance for economic decisions (e.g., lending, borrowing). 	<ul style="list-style-type: none"> - Thoroughly explains Fisher's equation and its significance. - Provides specific examples or applications in Pakistan (e.g., monetary policy, investment decisions). - Demonstrates in-depth understanding of relationship between nominal interest rates, real interest rates, and inflation. - Offers insightful analysis of implications for Pakistan's economy.

Q.6 Describe the different types of accounts offered by commercial banks in Pakistan and identify their features.

Level	Unsatisfactory	Marginal	Good	Exemplary
Max. Marks	0	1-2	3-4	5
Description	Provides no response or provides irrelevant response	<ul style="list-style-type: none"> - Fails to identify types of accounts (e.g., current, savings, deposit). - Does not recognize key features. - Lacks specific examples. 	<ul style="list-style-type: none"> - Identifies types of accounts (e.g., current, savings, fixed deposit, PLS accounts). - Describes basic features (e.g., current: for businesses, savings: interest-bearing). - Recognizes differences between accounts. 	<ul style="list-style-type: none"> - Thoroughly describes various types of accounts and their features. - Provides specific examples of each account type (e.g., current account: overdraft facility, savings account: interest rates). - Demonstrates in-depth understanding of commercial banking products in Pakistan. - Offers insightful comparison of account features and benefits.

Q.7 Define Mercantilism and explain its significance in the history of international trade theory.

Level	Unsatisfactory	Marginal	Good	Exemplary
Max. Marks	0	1-2	3-4	5
Description	Provides no response or provides irrelevant response	<ul style="list-style-type: none"> - Fails to define Mercantilism. - Does not recognize significance. - Lacks understanding of historical context. 	<ul style="list-style-type: none"> - Defines Mercantilism (e.g., trade policy emphasizing exports, accumulating wealth). - Recognizes significance (e.g., shaped early trade policies, emphasized state power). - Identifies key aspects (e.g., protectionism, export-oriented). 	<ul style="list-style-type: none"> - Thoroughly defines Mercantilism and its core principles. - Explains significance in historical context (e.g., colonial era, economic nationalism). - Demonstrates in-depth understanding of Mercantilism's impact on international trade theory. - Offers insightful analysis of Mercantilism's legacy and limitations.

Q.8 Identify the demerits of globalization and explain their potential impact on Pakistan's economy.

Level	Unsatisfactory	Marginal	Good	Exemplary
Max. Marks	0	1-2	3-4	5
Description	Provides no response or provides irrelevant response	<ul style="list-style-type: none"> - Fails to identify demerits (e.g., job losses, income inequality). - Does not recognize potential impact. - Lacks specific examples. 	<ul style="list-style-type: none"> - Identifies demerits (e.g., job losses, cultural homogenization, environmental degradation). - Recognizes potential impact (e.g., increased competition, vulnerability to external shocks). - Provides basic examples. 	<ul style="list-style-type: none"> - Thoroughly identifies and explains demerits of globalization. - Provides specific and nuanced examples of potential impact on Pakistan's economy (e.g., impact on small businesses, foreign debt). - Demonstrates in-depth understanding of globalization's challenges for Pakistan. - Offers insightful analysis of potential mitigation strategies.

Q.9 List the regional trade bodies that Pakistan is a part of and describe their objectives.

Level	Unsatisfactory	Marginal	Good	Exemplary
Max. Marks	0	1-2	3-4	5
Description	Provides no response or provides irrelevant response	<ul style="list-style-type: none"> - Fails to list regional trade bodies. - Does not recognize objectives. - Lacks specific examples. 	<ul style="list-style-type: none"> - Lists some regional trade bodies (e.g., SAFTA, ECO). - Describes basic objectives (e.g., promoting regional trade, economic cooperation). - Recognizes benefits (e.g., increased trade, economic growth). 	<ul style="list-style-type: none"> - Thoroughly lists regional trade bodies Pakistan is part of (e.g., SAFTA, ECO, AFTA). - Clearly describes objectives and functions of each body. - Demonstrates in-depth understanding of regional trade agreements and their impact. - Offers insightful analysis of benefits and challenges for Pakistan.

Q.10 Explain the canon of certainty in taxation and identify its benefits for taxpayers in Pakistan.

Level	Unsatisfactory	Marginal	Good	Exemplary
Max. Marks	0	1-2	3-4	5
Description	Provides no response or provides irrelevant response	<ul style="list-style-type: none"> - Fails to define canon of certainty. - Does not recognize benefits. - Lacks understanding of taxation principles. 	<ul style="list-style-type: none"> - Defines canon of certainty (e.g., clear and predictable tax laws). - Identifies benefits (e.g., reduces disputes, increases compliance). - Recognizes importance for taxpayers (e.g., stability, transparency). 	<ul style="list-style-type: none"> - Thoroughly explains canon of certainty and its significance. - Clearly identifies benefits for taxpayers in Pakistan (e.g., reduced litigation, increased investment). - Demonstrates in-depth understanding of taxation principles and their impact. - Offers insightful analysis of implications for tax policy and administration.

Q.11 Describe the impact of the national budget on Pakistan's economic growth and development.

Level	Unsatisfactory	Marginal	Good	Exemplary
Max. Marks	0	1-2	3-4	5
Description	Provides no response or provides irrelevant response	<ul style="list-style-type: none"> - Fails to recognize budget's impact. - Does not identify key areas (e.g., infrastructure, social services). - Lacks understanding of budget's role. 	<ul style="list-style-type: none"> - Recognizes budget's impact (e.g., allocation of resources, fiscal policy). - Identifies key areas (e.g., infrastructure, education, healthcare). - Describes basic effects (e.g., stimulating growth, reducing poverty). 	<ul style="list-style-type: none"> - Thoroughly describes budget's impact on economic growth and development. - Provides specific examples (e.g., infrastructure projects, social sector spending). - Demonstrates in-depth understanding of budget's role in shaping Pakistan's economy. - Offers insightful analysis of budget's implications for economic development.

Q.12 Describe how Zakat and Ushr can help reduce wealth concentration in Pakistan's economy.

Level	Unsatisfactory	Marginal	Good	Exemplary
Max. Marks	0	1-2	3-4	5
Description	Provides no response or provides irrelevant response	<ul style="list-style-type: none"> - Fails to define Zakat and Ushr. - Does not recognize role in reducing wealth concentration. - Lacks understanding of Islamic taxation. 	<ul style="list-style-type: none"> - Defines Zakat and Ushr (e.g., charitable giving, agricultural tax). - Recognizes role in reducing wealth concentration (e.g., redistributing wealth). - Identifies benefits (e.g., poverty reduction, social welfare). 	<ul style="list-style-type: none"> - Thoroughly describes Zakat and Ushr's role in reducing wealth concentration. - Provides specific examples (e.g., Zakat's impact on poverty, Ushr's role in rural development). - Demonstrates in-depth understanding of Islamic taxation's economic implications. - Offers insightful analysis of potential benefits and challenges for Pakistan's economy.

Q.13 Explain the structure of Pakistan's economy, highlighting its key features.

Level	Unsatisfactory	Marginal	Good	Exemplary
Max. Marks	0	1-2	3-4	5
Description	Provides no response or provides irrelevant response	<ul style="list-style-type: none"> - Lists 1 feature of Pakistan's economy - Shows limited understanding of economic structure - Lacks specific examples or explanations about features - Fails to address parts of the question 	<ul style="list-style-type: none"> - Explains 2-3 key features of Pakistan's economy - Shows some understanding of economic structure - Provides some examples or explanations about features - Addresses most parts of the question 	<ul style="list-style-type: none"> - Clearly explains 4+ key features of Pakistan's economy - Shows clear understanding of economic structure - Provides relevant examples and explanations about features - Addresses all parts of the question effectively

Rubric

Class: XII

Subject: Economics

Section: C

Q.14 (a) Discuss the potential challenges and risks associated with international trade.

Level	Unsatisfactory	Marginal	Satisfactory	Good	Exemplary
Max. Marks	0	1-3	4-5	6-7	8-10
Description	Provides no response or provides irrelevant response	<ul style="list-style-type: none"> - Lists 1 challenge of international trade - Shows little understanding of trade risks - Lacks specific examples or explanations about challenges - Fails to address parts of the question 	<ul style="list-style-type: none"> - Describes 2 challenges and risks of international trade - Shows some understanding of trade complexities - Provides limited examples or explanations about challenges - Addresses some parts of the question 	<ul style="list-style-type: none"> - Discusses 3 challenges and risks of international trade - Shows clear understanding of trade implications - Provides relevant examples or explanations about challenges - Addresses most parts of the question 	<ul style="list-style-type: none"> - Thoroughly discusses 4+ challenges and risks of international trade - Shows in-depth understanding of trade dynamics - Provides strong examples and explanations about challenges - Addresses all parts of the question effectively

Q.14 (b) Evaluate the significance of real GDP as an indicator of economic growth and development and discuss its limitations.

Level	Unsatisfactory	Marginal	Satisfactory	Good	Exemplary
Max. Marks	0	1-3	4-5	6-7	8-10
Description	Provides no response or provides irrelevant response	<ul style="list-style-type: none"> - Fails to define real GDP. - Does not recognize significance. - Lacks understanding of limitations. 	<ul style="list-style-type: none"> - Defines real GDP (e.g., inflation-adjusted GDP). - Recognizes significance (e.g., measures economic growth). - Identifies some limitations (e.g., ignores non-monetary transactions). 	<ul style="list-style-type: none"> - Evaluates real GDP's significance (e.g., tracks economic performance, informs policy). - Discusses limitations in detail (e.g., ignores income inequality, environmental degradation). - Recognizes importance of complementary indicators (e.g., HDI, poverty rates). 	<ul style="list-style-type: none"> - Thoroughly evaluates real GDP's significance and limitations. - Provides nuanced discussion of limitations and potential biases (e.g., measurement errors, ignores informal economy). - Demonstrates in-depth understanding of real GDP's role in economic analysis. - Offers insightful analysis of alternative indicators and their potential to supplement real GDP.

Q.15 (a) Analyze the impact of inflation on the value of money in Pakistan and discuss its effects on different segments of society.

Level	Unsatisfactory	Marginal	Satisfactory	Good	Exemplary
Max. Marks	0	1-3	4-5	6-7	8-10
Description	Provides no response or provides irrelevant response	<ul style="list-style-type: none"> - Fails to define inflation. - Does not recognize impact on value of money. - Lacks understanding of effects on society. 	<ul style="list-style-type: none"> - Defines inflation (e.g., price increase, reduced purchasing power). - Recognizes impact on value of money (e.g., reduced purchasing power). - Identifies basic effects on society (e.g., increased cost of living). 	<ul style="list-style-type: none"> - Analyzes impact of inflation on value of money (e.g., erosion of savings, fixed income impacts). - Discusses effects on different segments (e.g., fixed income earners, businesses, consumers). - Recognizes varying impacts (e.g., some benefit, others lose). 	<ul style="list-style-type: none"> - Thoroughly analyzes inflation's impact on value of money and society. - Provides nuanced discussion of effects on different segments (e.g., low-income households, investors). - Demonstrates in-depth understanding of inflation's economic and social implications. - Offers insightful analysis of potential mitigation strategies and policy implications.

Q.15 (b) Assess the impact of interest rates on the demand for loans and credit in Pakistan's banking sector.

Level	Unsatisfactory	Marginal	Satisfactory	Good	Exemplary
Max. Marks	0	1-3	4-5	6-7	8-10
Description	Provides no response or provides irrelevant response	<ul style="list-style-type: none"> - Fails to define interest rates. - Does not recognize impact on loan demand. - Lacks understanding of banking sector. 	<ul style="list-style-type: none"> - Defines interest rates (e.g., cost of borrowing). - Recognizes impact on loan demand (e.g., higher rates reduce demand). - Identifies basic effects (e.g., increased borrowing costs). 	<ul style="list-style-type: none"> - Assesses impact of interest rates on loan demand (e.g., elasticity, consumer behavior). - Discusses effects on different loan types (e.g., consumer loans, business loans). - Recognizes role of interest rates in monetary policy. 	<ul style="list-style-type: none"> - Thoroughly assesses interest rates' impact on loan demand and credit in Pakistan's banking sector. - Provides nuanced analysis of interest rate changes' effects (e.g., on consumption, investment). - Demonstrates in-depth understanding of interest rates' role in shaping banking sector dynamics. - Offers insightful analysis of potential implications for economic growth and stability.

Q.16 (a) Compare and contrast the principles of Islamic economics with those of conventional economic systems, highlighting their implications for economic development.

Level	Unsatisfactory	Marginal	Satisfactory	Good	Exemplary
Max. Marks	0	1-3	4-5	6-7	8-10
Description	Provides no response or provides irrelevant response	<ul style="list-style-type: none"> - Fails to define Islamic economics. - Does not recognize key principles. - Lacks understanding of conventional economics. 	<ul style="list-style-type: none"> - Defines Islamic economics (e.g., Shariah-compliant). - Recognizes key principles (e.g., fairness, justice, risk-sharing). - Identifies basic differences with conventional economics. 	<ul style="list-style-type: none"> - Compares and contrasts Islamic and conventional economic principles (e.g., interest, speculation, social welfare). - Discusses implications for economic development (e.g., poverty reduction, economic stability). - Recognizes potential benefits and challenges. 	<ul style="list-style-type: none"> - Thoroughly compares and contrasts Islamic and conventional economic principles. - Provides nuanced analysis of implications for economic development (e.g., impact on entrepreneurship, financial inclusion). - Demonstrates in-depth understanding of Islamic economics' unique features and potential applications. - Offers insightful analysis of potential synergies and trade-offs between Islamic and conventional economic systems.

Q.16 (b) Discuss the role of Zakat in wealth distribution and social welfare within the Pakistani context.

Level	Unsatisfactory	Marginal	Satisfactory	Good	Exemplary
Max. Marks	0	1-3	4-5	6-7	8-10
Description	Provides no response or provides irrelevant response	<ul style="list-style-type: none"> - Lists 1 way Zakat affects wealth distribution - Shows little understanding of Zakat's role - Lacks specific examples or explanations about impact - Fails to address parts of the question 	<ul style="list-style-type: none"> - Describes 2 ways Zakat contributes to social welfare - Shows some understanding of Zakat's significance - Provides limited examples or explanations about impact - Addresses some parts of the question 	<ul style="list-style-type: none"> - Discusses 3 ways Zakat influences wealth distribution in Pakistan - Shows clear understanding of Zakat's role - Provides relevant examples or explanations about impact - Addresses most parts of the question 	<ul style="list-style-type: none"> - Thoroughly discusses 4+ ways Zakat impacts wealth distribution and welfare - Shows in-depth understanding of Zakat's significance in Pakistan - Provides strong examples and explanations about impact - Addresses all parts of the question effectively