

ISQ Examination (Summer-2012)

ECONOMICS - Stage-II

- Q. A) List the components of current account in the balance of payment and give example for each.
- Q. B) Suppose exchange rate of Pak Rupee against US\$ is Rs.91 in 2011 as compared to Rs.85 in 2010. What will be the impact of this depreciation on Pakistan's Balance of Trade and inflation?
- Q. A) What is an expansionary monetary policy and why it is used?
- Q. B) Identify THREE tools used for expansionary monetary policy.
- Q. A) List various price indices used in Pakistan to calculate inflation.
- Q. B) What are the major causes of rising prices in Pakistan? Write any THREE.
- Q. A) Explain the process of deposit creation using the formula of money supply multiplier.
- Q. B) How does deposit creation affect money supply?
- Q. Suppose the value of meat from the farm is Rs.350/kg, then Rs.450/kg from the butchers, and then Rs.500/kg from the super market.
- A) Define output approach to calculate GDP. Explain how it avoids the problem of double counting.
- B) With the help of example given above, identify the value-added at each stage and calculate the per kilogram value of meat to be included in GDP.
- Q. State the fundamental concepts behind portfolio management theory in economics.
- Q. There are various reasons why there exists a demand to hold money as described by the liquidity preference theory.
- A) Explain the THREE popular motives for holding money.
- B) Give TWO reasons why the government may want to limit the demand for money.
- Q. Discuss any TWO reasons, that in your opinion, are the cause of the failure of some of the IMF programs in Pakistan.

- Q. Due to a rise in the cost of production and natural disasters in Pakistan, aggregate supply decreases, which leads to reduction in GDP. Identify the effects of following government and monetary authority's steps on GDP.
- A. Government plans to increase its budget on PSDP.
 - B. SBP reduces discount rate.
 - C. Government announces to cut sharply in sales tax.
- Q. A) Define automatic stabilizers.
- Q. B) What is the liquidity trap? Identify TWO factors that could lead to liquidity trap?
- Q. C) With the help of a graph, analyze the effect of expansionary fiscal policy on AD-AS curve.
