

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN**Foundation Examinations Autumn 2008****September 3, 2008****INTRODUCTION TO ECONOMICS AND FINANCE****(MARKS 100)****Module B****(3 hours)**

- Q.1 Highlight the main differences between microeconomics and macroeconomics. (06)
- Q.2 Explain the term “price elasticity of demand”. Briefly describe the factors that affect the price elasticity of demand. (07)
- Q.3 (a) Briefly describe the important characteristics of a market under perfect competition. (05)
(b) Explain the equilibrium of a firm under perfect competition, with the help of an appropriate diagram. (05)
- Q.4 There are various factors that influence the inflow of investments in a country. Briefly explain any six such factors. (09)
- Q.5 Explain the law of increasing returns. How does the law apply in the case of a manufacturing industry? (05)
- Q.6 (a) Explain the term marginal rate of substitution with the help of an example. (04)
(b) Why does the marginal rate of substitution diminish? (03)
- Q.7 (a) Briefly describe three different approaches of measuring National Income. (09)
(b) What difficulties are usually faced in measuring National Income? (09)
- Q.8 According to the law of demand, supply of a product increases when the price increases. Briefly describe the other factors that affect the quantum of supply of a product. (09)
- Q.9 Briefly explain the factors which influence the efficiency of labour. (08)
- Q.10 (a) Describe the main factors that affect the general rate of interest in an economy. (06)
(b) Explain the term “Real Rate Of Interest” with the help of an example. (03)
- Q.11 Explain deficit financing and what effects does it have on the economy of a country. (06)
- Q.12 Briefly describe the important features of Classical and Keynesian theories of wages and employment. (06)

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