

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Foundation Examinations Spring 2009



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INTRODUCTION TO ECONOMICS AND FINANCE

(MARKS 100)

Module B

(3 hours)

- Q.1 “Inflation represents a situation whereby the pressure of aggregate demand for goods and services exceeds the available supply of output. This disparity between aggregate demand and aggregate supply may be the result of more than one cause”
- (a) List any **ten** causes of inflation. (05)
- (b) What is a price index? Briefly explain any three commonly used price indices. (08)
- Q.2 To achieve economic policy objectives, the government has a vital economic role in building the necessary infrastructure, ensuring the availability of adequate financing facilities, moulding the social structure and adapting the legal framework to the tasks of development.
- (a) List down the main objectives of the economic policies of a government. (06)
- (b) Briefly discuss the policy tools usually adopted by the government to achieve these objectives. (06)
- Q.3 Briefly describe the various types of unemployment. (06)
- Q.4 Demonstrate your familiarity with the indifference curve approach to the problem of consumer’s equilibrium. Support your description by drawing suitable diagram. (12)
- Q.5 Discuss practical importance of law of equi-marginal utility. (07)
- Q.6 Differentiate between substitute goods, complimentary goods and independent goods. Give two examples of each. (06)
- Q.7 Briefly describe the disadvantages of having a monopoly setup. (08)
- Q.8 What do you understand by “Adverse Balance of Trade”? Briefly describe the steps which are usually taken by the government to control adverse balance of trade. (08)
- Q.9 (a) What do you understand by “Free Trade”. (03)
- (b) Briefly describe the main advantages of “Free Trade”. (06)
- (c) Discuss the situations where a government may be justified in taking measures which may not be in line with the policy of “Free Trade”. (06)
- Q.10 Briefly describe the qualities of a successful entrepreneur. (07)
- Q.11 Discuss external economies and diseconomies of scale. (06)

(THE END)