

**THE INSTITUTE OF BANKERS PAKISTAN**

**ISQ Examination (Winter-2011)**

**Economics – Stage-II**

**Section-I**

**Multiple Choice Questions**

**Number of Questions: 30**

**Marks: 45**

**Allotted Time: 60 minutes**

**Section-II**

**Constructed Response Questions**

**Number of Questions: 9**

**Marks: 55**

**Allotted Time: 120 minutes**

- Q.31 A) What is a safety net program? State two of its main roles.**
- Q.31 B) State any THREE problems that can exist if the GNP is used for the economic well-being.**
- Q.32 A) Write TWO disadvantages of floating exchange rate.**
- Q.32 B) Suppose SBP decides to increase the interest rate. With the help of a graph, suggest how might this decision affect the exchange rate equilibrium?**
- Q.33 A) Define the Money Multiplier and explain how does it impact on money in circulation?**

- Q.33 B) Suppose initial deposit is Rs. 100 billions and reserve requirement is 20%. Calculate the multiplier effect.
- Q.34 A) Briefly explain FOUR effects of Contractionary Monetary policies on the economy.
- Q.34 B) Describe Contractionary Monetary policy.
- Q.35 A) Define money.
- Q.35 B) Why are cheques and credit cards not counted as money?
- Q.35 C) Describe any THREE functions of money.
- Q.36 Describe any FIVE key objectives of the International Monetary Fund (IMF)?
- Q.37 List the various tools of monetary policy. Describe any of the two qualitative and two quantitative tools.
- Q.38 A) What is meant by a demand for money?
- Q.38 B) Identify the cost of holding money?
- Q.38 C) Describe any THREE factors that affect the demand for money.
- Q.39 Discuss the decision making process emphasizing on risk and its management.

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