ISQ Examination - Winter- 2012
Economics - Stage- II

Q. a. Define ‘Cost Push Inflation’ and ‘Demand Pull Inflation.’

b. What is the impact of inflation on growth of banking sector?

Q. a. Define ‘real interest rate.’

b. What effect would a substantial increase in the sale of government bonds and Treasury bills have on interest rates? Support your answer with reasoning.

c. Why does SBP’s intervention to influence interest rates in the discount market also influences interest rates in the parallel markets?

Q. Pakistan has approached the International Monetary Fund (IMF) time and again, as a source of funding in times of financial needs.

a. State THREE benefits of IMF funding facility to Pakistan?

b. State TWO disadvantages of availing such a facility.

Q. Though the fiscal policy is useful in attaining many goals of economic policy, it is not free from certain limitations.

a. State any FOUR elements of the fiscal policy as used by the government.

b. State how any TWO elements can be used by the government to pursue an expansionary fiscal policy.

c. What is the impact of an expansionary fiscal policy on the economy?

d. What are some of the major barriers in implements of fiscal policy in Pakistan? Give reasons for categorizing them as barrier.

Q. a. Describe the different types of monetary aggregates being used in Pakistan.

b. Explain the process of deposit creation using the money multiplier concept.

c. Which monetary aggregates are affected by the money multiplier impact?

Q. Describe in detail the methods used by Central Banks that lead to creation of money.

Q. Define monetary policy and state its key objectives.

Q. Write any THREE advantages and TWO disadvantages of holding savings in the form of money.

Q. Following transactions took place in June 2012, prior to government's announcement of Federal Budget 2012-13.

a. Mr. Habib transferred shares of M/s Uni Lever amounting to Rs. 1.0 M from his CDC account to Mr. Bilal's CDC account. No broker commission was paid.

b. Mr. Ali sold his Suzuki Mehran for Rs. 500,000/- to Mr. Farhan at cost. The sale was arranged by M/s Auto Market, which got a commission of 1% of selling price from both the parties.

c. Mr. Nasir purchased a refrigerator for Rs. 30,000/- directly from the manufacturer. The retail stores were offering the same model on a price difference of 2% only.

Identify the amount against each transaction which will be included while calculating GDP through income approach. Give reasons.

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