

**ISQ Examination - Summer-2013**  
**Economics - Stage- II**

- Q. A. List any TWO sources of money supply.
- Q. B. Explain measures of money aggregates M1, M2 and M3 with examples.
- Q. Pakistan has suffered from consistently high inflation rates in recent years due to domestic as well as global issues. Give examples of TWO factors each for domestic and global issues that have led to high inflation and suggest THREE ways to combat such factors.
- Q. A. Explain any two factors that affect the National Income.
- Q. B. Explain the three approaches to measure Gross National Product.
- Q. A. Define free float and managed float.
- Q. B. List any THREE risks associated with floating exchange rate regimes.
- Q. C. List any three risks associated with fixed exchange rate regimes.
- Q. D. Define nominal and real exchange rates.
- Q. Due to the current security situation in the country many people prefer carrying credit cards rather than large volumes of cash when they are out and about. Also, people prefer making payments through cheques rather than cash for the same reason. However, economists are of the opinion that credit cards and cheques cannot be counted as money; rather they are credits.
- Do you agree with this opinion? Give reasons in support of your answer.
- Q. State Bank of Pakistan often uses quantitative instruments of monetary policy i.e. interest rates and credit ceiling to achieve many objectives. However, these tools come with their own set of pros and cons. Highlight THREE advantages and TWO disadvantages of these instruments.
- Q. It is generally believed that financial institutions in Pakistan have remained unaffected by the direct impact of the global financial crisis. Give at least THREE reasons which may have led to this opinion.

- Q. Explain the concept of money multiplier with the help of an example.
- Q. A. What is meant by policy mix?
- Q. B. What is the rationale behind using a policy mix?
- Q. C. What can be the effects of an expansionary fiscal policy in an open economy? Explain any two with examples.
- Q. D. Can a policy mix be applied to Pakistan's economy? Give reasons in support of your answer.

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