

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN



Fall 2012 (February 2013) Examinations

Wednesday, the 20th February 2013

BUSINESS ECONOMICS – (ML-102)

SEMESTER – 1

Time Allowed – 2 Hours 45 Minutes

Maximum Marks – 90

Roll No.:

- (i) Attempt ALL questions.
- (ii) Answers must be neat, relevant and brief.
- (iii) In marking the question paper, the examiners take into account clarity of exposition, logic of arguments, presentation and language.
- (iv) Read the instructions printed inside the top cover of answer script CAREFULLY before attempting the paper.
- (v) DO NOT write your Name, Reg. No. or Roll No. anywhere inside the answer script.
- (vi) Question No.1 – “Multiple Choice Question” printed separately, is an integral part of this question paper.
- (vii) **Question Paper must be returned to invigilator before leaving the examination hall.**

MARKS

SECTION – “A”

- Q.2** (a) What do you understand by the phrase “the principal-agent problem”? How the interests of managers and shareholders be aligned in a corporate form of organization? **06**
- (b) What does the shareholder risk return curve indicate? Explain it with the help of diagram. Mention two factors that determine the risk free rate. **10**
- (c) What is meant by the terms “substitute goods” and “complementary goods”? Give an example of each related to petroleum products. **06**
- Q.3** (a) How would you define price instability? What measures are taken by the government to cope up with the agricultural price instability? **06**
- (b) What do you mean by marginal cost and average cost? Prepare a graph to show the relationship between average cost and marginal cost. **08**
- (c) Describe the influence of e-business on cost and market behaviour. **06**
- Q.4** (a) What is the purpose of subsidy given by the government? Why is the decrease in price will be less than the value of the subsidy in normal supply and demand curve. **08**
- (b) The price of a component is Rs.1.50 per unit and its annual demand is 900,000 units. An increase in price of 20 Paise per unit will result in a fall of annual demand for the component by 15,000 units. Calculate the elasticity of demand at the current price of Rs.1.50 units. **04**

PTO

SECTION – “B”

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| Q.5 | (a) What is meant by the terms “Budget Surplus” and “Budget Deficit”? Differentiate Government deficit from Government debt? | 06 |
| | (b) In an economy, nominal interest rate is 6% and inflation rate is 4%. What would be the exact real interest rate in that economy? | 06 |
| Q.6 | (a) What does ‘foreign exchange rate’ mean? The foreign exchange rates fluctuate in accordance with intensity of demand and supply of a foreign currency. Illustrate this process. | 06 |
| | (b) Discuss the three phases of trade cycle. Identify the causes of the trade cycle. | 06 |
| Q.7 | (a) What do you mean by the term “UNEMPLOYMENT”? There are 500,000 unemployed persons in a city. The work force consists of 8,000,000 people. Calculate the rate of unemployment in that city. | 06 |
| | (b) Describe the protectionist measures used by some countries to rectify a balance of payment deficit by reducing the volume of imports. | 03 |
| | (c) Briefly describe “terms of trade”. How it is measured? | 03 |

THE END