

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN



Summer (May) 2011 Examinations

Wednesday, the 1st June 2011

BUSINESS ECONOMICS – (S-102) **STAGE – 1**

Time Allowed – 2 Hours 45 Minutes

Maximum Marks – 80

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)** Define the term ‘utility’. What is the difference between total utility and marginal utility? Explain the law of diminishing marginal utility giving a numeric example. **10**
- (b)** Differentiate between large scale production and small scale production. Explain the advantages (economies) and disadvantages (diseconomies) for both forms of production. **06**
- Q.3 (a)** What is the difference between perfect competition and imperfect competition? The major kinds of imperfect competition are monopoly, oligopoly and monopolistic competition. Explain each in detail. **10**
- (b)** What do you understand by the term ‘aggregate demand’? What are the major components of an aggregate demand? Explain in detail. **06**

SECTION – “B”

- Q. 4 (a)** Discuss the balance of payment system. Give remedies in case there is an adverse trend in the balance of payment account of a country. **08**
- (b)** Differentiate between “inflation” and “deflation”. Inflation can be classified into three different categories. Explain each category giving an example of each. **08**
- Q.5 (a)** What do you understand by ‘federal budget’? A federal budget consists of two components, the revenue budget and the development budget. Illustrate them. **04**
- (b)** Briefly explain the following: **04**
- (i)** National income
 - (ii)** Investment

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SECTION – “C”

- Q.6 (a)** The main obstacles which affect the rate of growth in economic development are (i) economic obstacles, (ii) social and cultural obstacles, and (iii) administrative obstacles. Explain each obstacle with reference to Pakistan. **08**
- (b)** Define 'Foreign Exchange Rate'. Foreign exchange rates vary according to the forces of supply and demand of the foreign currency. Explain the mechanism with reference to Pakistan (numeric graphical presentation). **08**
- Q.7** Mineral, power and forest resources are the foundation of economic development. The main resources of electric generation in our country are thermal electricity, hydel power, nuclear energy and non-conventional sources of energy. Briefly explain each source of energy with reference to their potential and capacity. **08**

THE END