

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN

SPRING (SUMMER) 2008 EXAMINATIONS

Sunday, the 25th May, 2008

BUSINESS ECONOMICS-(S-102)

Stage- 1

Time Allowed – 2 Hours 45 Minutes

Maximum Marks – 80

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- (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, effective presentation, language and use of clear diagram / chart, where appropriate.
 - (iv) Read the instructions printed on 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.
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Section “A”

Marks

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| Q.2 (a) | “Economics is a positive science, a normative science, an applied science and a social science.” Explain the nature of Economics with reference to the above statement. | 8 |
| (b) | How is the equilibrium obtained by a consumer under Indifference curve approach? Explain with the help of schedule and diagram. | 8 |
| Q.3 (a) | Perfect competition is a benchmark against which other market structures are compared. Briefly describe the characteristic of the competition. How far stock market is perfect and why? | 8 |
| (b) | Differentiate between ‘point elasticity’ and ‘arc elasticity’ by using diagram and formula. | 8 |

Section “B”

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| Q.4 (a) | “Ultimately businesses invest when they expect this action will earn them profits.” In the light of above statement, explain determinants of Investment. | 8 |
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- (b) Explain principle of acceleration in Macroeconomics with the help of a numerical example. **8**
- Q.5 (a)** Explain the theory of comparative advantage and theory of absolute advantage in favour of International Trade by giving numerical example. **8**
- (b) State Bank of Pakistan (SBP) has been undertaking a number of developmental and promotional functions. Comment while listing the functions of SBP. **8**

Section “C”

- Q.6 (a)** “For accelerated economic growth accompanied with poverty alleviation, tangible improvement in the structure and productivity of agriculture are crucial in case of Pakistan.” Give your views on this statement. **8**
- (b) Discuss the impact of recent devaluation of Pakistani Rupee on the economy of Pakistan. What are the reasons of recent devaluation of Pakistani Rupee and what will be its consequences? **8**

The End