

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN



Spring (Summer) 2009 Examinations

Thursday, the 21st May 2009

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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MARKS

SECTION “A”

- Q.2 (a)** “Monopoly is of disadvantages to consumers, whereas perfect competition is good for the consumers, but not fruitful for the entrepreneurs”. Discuss. **08**
- (b)** Is it price, quality or timely delivery which determines the consumer behaviour? Describe. **08**
- Q.3 (a)** Illustrate the following propositions using supply-and-demand diagrams with justifications of economic effects:
- (i)** In order to reduce pollution and dependence on insecure foreign resources of oil the government decides to impose levy of Rs.10 per litre on purchase of petrol. Explain the economic repercussions of this decision. **04**
 - (ii)** A bad harvest due to floods will generally increase the income of farmers and a good harvest would have opposite effect. Elucidate the paradox. **04**
- (b)** Differentiate between large scale and small scale production. Explain the advantages (economies) and disadvantages (diseconomies) for both forms of production. **08**

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SECTION "B"

- Q.4 (a)** "There is no such notion as over-population or under-population, only scarcity or abundance of resources in comparison to population makes it so." Discuss the statement in relation with optimum population theory. **08**
- (b)** Purchasing power parity helps determine the value of currency, which promotes international trade. Discuss. **08**
- Q.5 (a)** One of the basic responsibilities of State Bank is to monitor financial institutions. The failure to do so results in collapse of financial institutions. Discuss the impact of failure of financial institutions, on financial system and economy at large. Describe how the increase in the rate of discount by State Bank was effective in controlling the inflation? Do you support this theory? **10**
- (b)** Explain measurement of gross domestic product by Product-Expenditure Approach. **06**

SECTION "C"

- Q.6 (a)** Comparatively agriculture credit is easily available in the country at low interest rate. In spite of this factor agriculture in Pakistan is not growing at the pace as it should be. Discuss the hindrances which are impediment to growth of agriculture sector in Pakistan. **08**
- (b) (i)** "Economic assistance to developing countries may take several forms". Discuss them. **04**
- (ii)** Assess the benefits and costs of foreign economic assistance to Pakistan. **04**

THE END