

# INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN



**Spring (Summer) 2010 Examinations**

Saturday, the 22nd May 2010

## **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 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.
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<b>SECTION – “A”</b>		<b>MARKS</b>
<b>Q.2 (a)</b>	In an ideal market economy all goods and services are voluntarily exchanged for money at market prices. Explain the economic role of governments and how do governments perform their functions?	<b>08</b>
<b>(b)</b>	<b>(i)</b> Due to scarce resources, we must always consider how to spend our limited incomes or time. Explain the concept of opportunity cost illustrating an example.	<b>04</b>
	<b>(ii)</b> Explain with the help of a diagram the difference between shift of demand and movement along demand curve.	<b>04</b>
<b>Q.3 (a)</b>	The market equilibrium comes at that price and quantity where the forces of supply and demand are in balance. Why the price settles down at the equilibrium intersection of supply and demand. What happens if the market price starts out too high or too low? Explain with the help of illustration.	<b>08</b>
<b>(b)</b>	Today's economies depend heavily on the specialization of individuals and firms. Discuss specialization and division of labour giving three examples each.	<b>08</b>

### **SECTION – “B”**

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| <b>Q.4 (a)</b> | “The macroeconomic goals are – a high level growth of output, low unemployment, and stable prices”. Discuss all of them in detail.   | <b>08</b> |
| <b>(b)</b>     | A country has two major kinds of policies used to pursue its macroeconomic goals, “fiscal policy” and “monetary policy”. Explain them in detail.   | <b>08</b> |
| <b>Q.5 (a)</b> | What are the factors of inflation? How can it be kept under control?   | <b>08</b> |
| <b>(b)</b>     | Every country wishes to identify obstacles to economic development, similarly the economists of Pakistan have also identified various obstacles to economic development of Pakistan. Discuss at least eight economic obstacles confronted by Pakistan. | <b>08</b> |

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**SECTION – “C”**

- Q.6 (a)** Pakistan economic development depends on industrial, agricultural and financial sectors. Discuss specific contributions of agriculture sector in the economic development of Pakistan? **08**
- (b)** Government of Pakistan has taken various measures to improve the industrial backwardness in recent past. Discuss at least eight distinct reforms made in this regard. **08**

**THE END**