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CHAPTER-1**DEFINITION OF ECONOMICS****(BASIC CONCEPTS)****SECTION – I****MULTIPLE CHOICE QUESTIONS**

1. Founder of classical school of thought was:
(LHR-14-I, 16-II) (MTN-14) (GRW-14, 15)
(AJK-18) (SGD-14, 16, 19)
(a) Adam Smith (b) Marshall
(c) Robbins (d) Keynes
2. Book "Wealth of Nations" was written in:
(LHR-14-II) (AJK-17)
(a) 1956 (b) 1776 (c) 1876 (d) 1698
3. Book "Wealth of Nations" was written by:
(LHR-16-I, 17-II) (SGD-15) (AJK-18) (SWL-19)
(a) Keynes (b) Pigou
(c) Adam Smith (d) Marshall
4. Economics is a science: (LHR-17-I) (AJK-15)
(a) Political (b) Spiritual
(c) Social (d) Scientific
5. According to Adam Smith, economics is a science of:
(LHR-18-II) (MTN-16) (AJK-16)
(SGD-18) (FSD-19)
(a) Time (b) Action (c) Wealth (d) Value
6. Founder of Economics was: (SAR-17)
(a) Robbins (b) Marshall
(c) Adam Smith (d) Keynes
7. Economics is a science of wealth: (FSD-18)
(a) Adam Smith (b) Robbins
(c) Marshall (d) Keynes
8. _____ concept is not included in the definition of Adam Smith: (AJK-17)
(a) Production of wealth
(b) Exchange of wealth
(c) Welfare
(d) Distribution of wealth
9. According to which school of thought economics is a science of material welfare:
(LHR-15-I)
(a) Classical (b) Neo-classical
(c) Modern (d) Keynesian
10. Who considered economics as science of material welfare: (LHR-18-I, 19) (BWP-14)
(a) Adam Smith (b) Marshall
(c) Robbins (d) Keynes
11. Book "Principle of Economics" was written in 1890 by: (RWE-15, 17) (SWL-18)
(MTN-15) (GRW-15) (FSD-15) (AJK-16)
(a) Adam Smith (b) Marshall
(c) Robbins (d) Pigou
12. Founder of neo-classical school of thought:
(AJK-14) (DGK-15) (SWL-17) (GRW-16, 19)
(a) Adam Smith (b) Keynes
(c) Marshall (d) Pigou
13. The book written by Marshall:
(BWP-16) (SWL-17)
(a) Wealth of Nations
(b) Principles of Economics
(c) Micro Economics
(d) Macro Economics
14. Book titled as "Principles of Economics" was first written in: (FSD-14) (MTN-15)
(DGK-16)
(a) 1930 (b) 1890 (c) 1856 (d) 1776
15. Founder of modern school of thought is:
(MTN-14) (SWL-15)
(a) Robbins (b) Canion
(c) Keynes (d) Malthus
16. "Nature and Importance of Economics" the book of Robbins was published in:
(RWP-16)
(a) 1915 (b) 1932 (c) 1934 (d) 1937
17. Which aspect of human life is studied in economics: (GRW-17)
(a) Political (b) Moral
(c) Economic (d) Horizontal
18. The goods obtained without payment of money are called: (LHR-16-II)
(a) Superior goods (b) Inferior goods
(c) Economic goods (d) Non-economic goods
19. Small units of economic system are studied in:
(BWP-15)
(a) Micro economics
(b) Macro economics
(c) Applied economics
(d) Mathematical economics

20. Who presented the concept of Macro economics: (FSD-16)
 (a) Adam Smith (b) Marshall
 (c) Keynes (d) Pigou
21. Micro economics studies: OR
 Micro economics relates to:
 (AJK-14) (LHR-15-II) (DGK-19)
 (a) National Income (b) Un Employment
 (c) Trade Cycle (d) Consumer Behaviour
22. Which one is not studied in macro economics: (LHR-16-II)
 (a) National Income (b) Employment
 (c) Trade cycle (d) Theory of price
23. In Macro economics we study: (BWP-17)
 (a) Price Theory (b) Consumer behaviour
 (c) National Income (d) Firm

ANSWERS

1. a	2. b	3. c	4. c	5. c
6. c	7. a	8. c	9. b	10. b
11. b	12. c	13. b	14. b	15. a
16. b	17. c	18. d	19. a	20. c
21. d	22. d	23. c		

SECTION – II**SHORT QUESTIONS ANSWERS**

1. Define Adam Smith definition of economics. (LHR-15-I, 16-II) (GRW-15) (FSD-16) (AJK-14, 18) (SGD-17, 18) (BWP-18)
 Ans: According to Prof Adam Smith, Economics is a science which discusses the production of wealth, consumption of wealth, distribution of wealth and exchange of wealth.
2. In how many parts did Adam Smith divide his book "Wealth of nations"? (LHR-14, 16-I) (FSD-18)
 Ans: Prof Adam Smith has divided his book wealth of nations in the following four parts:-
 (i) Production of wealth.
 (ii) Consumption of wealth.
 (iii) Distribution of wealth.
 (iv) Exchange of wealth.
3. Define Wealth. (LHR-17-I, 19) (MTN-15) (SWL-15) (FSD-18) (GRW-18) (SGD-19) (RWP-19) (DGK-19)
 Ans: Wealth means all the assets and valuables owned by a person.

4. Write four important aspects of Adam Smith's definition. (LHR-17-II) (RWP-15)
 Ans: Prof Adam Smith has divided his book wealth of nations in the following four parts:-
 (i) Production of wealth.
 (ii) Consumption of wealth.
 (iii) Distribution of wealth.
 (iv) Exchange of wealth.
5. What is meant by production of wealth? (SGD-17) (GRW-18, 19)
 Ans: Production of wealth means how wealth is produced. There are four factors which produce wealth i.e., land, labour, capital and organization. The combination of these four factors produces goods and services which are called wealth.
6. Write down Marshall's definition of economics. (LHR-18-I) (SGD-15) (AJK-16) (MTN-16, 17) (SWL-17) (DGK-19)
 Ans: Economics is a science which studies human behaviour in the ordinary business of life, it examines that part of individual and social action which is most closely connected with attainment and with the use of material requisites of well being.
7. What is meant by consumption of wealth. (FSD-17)
 Ans: Consumption of wealth means how wealth is spent or consumed. The part of wealth which we spend on the necessities of life, is called consumption of wealth.
8. What is meant by exchange of wealth? (AJK-15) (BWP-14, 16) (SWL-16)
 Ans: It means how wealth is exchanged. In other words, how wealth passes from one person to another person or how it shifts from one country to another country through international trade. To know about this is called exchange of wealth.
9. What is meant by Neo-classical school of thought? (SGD-16)
 Ans: Professor Marshall and follower are called classical school of thought.
10. Write down four merits of the definition of Marshall. (AJK-17, 18) (FSD-19)
 Ans: (i) Better than former definitions.
 (ii) Comprehensive and clear.
 (iii) Social Science
 (iv) Study of Individual and collective efforts

11. Write down four demerits of the definition of Marshal. (AJK-18)

- Ans:** (i) It does not cover all economic problems.
 (ii) Immeasurable concept of Material Welfare.
 (iii) Limited concept of consumption of wealth.
 (iv) The problem of Likes and Dislikes.

12. Write names of four classical economists. (BWP-17)

Ans: Canon, Pigou, Perito, Clark

13. Define Robbins Definition of economics. (AJK-16) (GRW-14, 17) (SWL-16,18) (RWP-17, 18)

Ans: Economics is a science which studies human behaviour as a relationship between ends and scarce means which have alternative uses.

14. On which four realities Robbins has based economics. (LHR-14-I)

Ans: Prof Robbins has made the following four facts of life the basis of his definition and they cannot be falsified.

- (i) Human ends (wants) are unlimited.
 (ii) Wants are not equally important.
 (iii) Means are limited.
 (iv) Means have alternative uses.

15. What is meant by economic problem? (LHR-15-II, 14, 18 - I, 19) (BWP-16) (GRW-17) (SGD-17, 19) (MTN-15, 19) (SWL-16, 19)

Ans: According to Prof Robbins an economic problem exists when the following four conditions exist at the same time.

- (i) Human wants are unlimited.
 (ii) Wants are not equally important.
 (iii) Means are limited.
 (iv) Means have alternative uses.

If anyone of these four conditions is not present, then no economic problem will exist at all.

16. What is meant by scarce means.

(AJK-14) (BWP-15) (SGD-15) (MTN-16)

Ans: It means that man's resources or means i.e. his income and wealth are less as compared with his wants. In this way, the aggregate resources of production are less than the need or wants of the people. So, every man individually and all the country collectively

has to be careful in utilizing its resources to satisfy the wants.

17. Is economics science or Art.

(SWL-17) (MTN-18)

Ans: Economics is both science and art.

18. Define Science.

(LHR-14-II) (SGD-17) (RWP-19)

Ans: Science is the collection of facts about a particular section of universe which is arranged in the light of research and practical after an impartial study. Moreover a permanent relationship is established between the causes and results of these facts. For example, a useful and organized collection of information about matter, light, heat and atom etc has been collected in the form of Physics.

19. Define Art.

(AJK-17)

Ans: An art is activities, which are made to attain special objectives. Some principles are derived with the help of science and when we act upon these principles to attain a specific objective, the same science becomes an art. For example, what is studied in books by medical student, is science but after becoming doctor when he treats patients and gives a practical shape to his test results, then he makes his science an art.

20. What is meant by Positive Science?

(LHR-15-II) (MTN-14,16) (RWP-17)

Ans: This is the science in which after the observation and analysis of conditions and incidents occurring in a particular section of universe are stated as they are. For example physics, chemistry and Biology etc.

21. What is normative science. (AJK-14)

(FSD-15) (DGK-15) (MTN-17) (SGD-18) (RWP-18) (BWP-18)

Ans: This is a science in which conditions and incidents should be checked from a particular point of view and decided that they should be as:

For example: Instead of poverty there should be prosperity.

22. Write down difference between positive science and normative science.

(LHR-18-II) (SWL-19)

Ans: Positive economics is the science in which after the observation and analysis of

conditions and incidents occurring in a particular section of universe are stated as they are. For example physics, chemistry and Biology etc.

Normative economics is the science in which conditions and incidents should be checked from a particular point of view and decided that they should be as. For example, instead of poverty, there should be prosperity, every individual living in the country should be provided with bread, clothing and accommodation, instead of dictatorship, there should be democracy in the society. The example of this kind of science is economics, political science and ethics etc.

23. What is meant by descriptive economics? (MTN-18)

Ans: In this kind of economics, the economic facts concerned with agriculture, industry, communication etc. are described in the form of figures. For example to describe facts and figures concerning industry and agriculture in Pakistan is descriptive economics.

24. Define Positive economics. (MTN-15) (BWP-15)

Ans: In positive economics the performance of economy is examined impartially. It means economic problems are observed by taking into account causes and effects on the basis of some reality.

25. Name types of economics. (BWP-14) (DGK-14, 16) (SGD-16)

Ans: It has three types,
 (a) Descriptive economics.
 (b) Theoretical economics.
 (c) Applied economics.

26. Define Micro economics. (LHR-15-I, 16-II) (AJK-17) (DGK-17) (FSD-17) (SWL-18) (GRW-19) (MTN-19)

Ans: In micro economics, we study the separate parts and small units of an economic system. For example, we study the behavior of a consumer or conditions of a firm or the conditions of a certain industry or the prices of factors of production e.g. land, labour, capital and organization.

27. What is Macro Economics? (LHR-16-I) (RWP-19) (SGD-14) (GRW-15) (DGK-15) (AJK-14, 16) (MTN-18)

Ans: Macro means 'large' when for the sake of economic analysis, economy is examined as a whole it is called macro economics. In macro economics, national income, national savings, aggregate consumption, aggregate investment, aggregate demand and general level of prices are studied.

SECTION – III

LONG QUESTIONS

- Critically examine definition of economics presented by Adam Smith. (LHR-18-II) (GRW-14) (BWP-17) (SWL-17) (DGK-16, 19) (AJK-18)
- Describe merits and demerits of Marshall's definition of economics. (LHR-14-II) (DGK-15)
- Write Robbins definition of economics. Write its merits and demerits. (LHR-15-I) (GRW-16, 18, 19) (AJK-14) (SGD-14) (FSD-15) (MTN-17, 18) (BWP-18)
- Compare Marshall and Robbins definitions of economics. (LHR-15-II, 19) (RWP-15)
- Explain economic problem in the lights of definition given by Robbins. (FSD-16)
- Is economics science or Art? Explain. (LHR-17-II) (GRW-15) (MTN-19)
- Explain the kinds of economics in detail. (AJK-17)
- Compare micro and macro economics. (SWL-16)



CHAPTER-2

CONSUMER BEHAVIOUR (LAW OF DIMINISHING MARGINAL UTILITY)

SECTION – I

MULTIPLE CHOICE QUESTIONS

- The power to satisfy human want in a commodity is: (DGK-16) (BWP-16) (AJK-17, 18) (SGD-18)
 - value
 - utility
 - usefulness
 - wealth

2. After satiation point, total utility starts:
(LHR-14-II)
(a) Increasing (b) Decreasing
(c) Constant (d) None
3. Who declared measurement of utility possible: (LHR-14-I, 15-II) (SGD-14) (GRW-19)
(a) Marshall (b) Adam Smith
(c) Robbins (d) Keynes
4. Cardinal theory of utility was presented by:
(FSD-16)
(a) Walker (b) Marshall
(c) Canon (d) Robbins
5. Utility obtained from consumption of first unit of commodity is called:
(SWL-17) (BWP-16, 18)
(a) Initial (b) Marginal
(c) Positive (d) Negative
6. Slope of marginal utility curve is:
(DGK-15) (RWP-16) (GRW-17) (MTN-17)
(a) Horizontal (b) Vertical
(c) Negative (d) Positive
7. When marginal utility falls, total utility increases at rate:
(DGK-17)
(a) increasing (b) decreasing
(c) zero (d) none
8. When marginal utility is positive, total utility:
(LHR-15-I)
(a) Increases (b) Decreases
(c) Zero (d) Does not change
9. When total utility decreases, marginal utility is: (LHR-16-I, 17-II) (SGD-15) (MTN-15)
(GRW-18)
(a) Negative (b) Positive
(c) Maximum (d) Zero
10. When marginal utility is zero, total utility is: (LHR-16-II, 19) (MTN-14) (FSD-15) (BWP-15)
(AJK-14, 16) (GRW-14, 16) (RWP-15, 17)
(SWL-18) (SGD-17, 19) (DGK-19)
(a) Negative (b) Positive
(c) Maximum (d) Zero
11. By continuous use of commodity, marginal utility:
(LHR-17-I)
(a) Positive (b) Increases
(c) Decreases (d) Zero
12. Symbol of marginal utility is: (LHR-18-II)
(AJK-18) (SWL-19)
(a) MA (b) MR (c) MC (d) MU
13. Rate in change of total utility is called:
(RWP-18) (MTN-19) (FSD-19)
(a) Marginal utility (b) Negative utility
(c) Average utility (d) Initial utility
14. Marginal utility at satiation point is:
(GRW-15)
(a) Zero (b) Positive
(c) Negative (d) Initial
15. When marginal utility is negative, total utility: (AJK-15) (SWL-16) (MTN-16) (BWP-17)
(a) decreases (b) increases
(c) does not change (d) negative
16. When total utility is maximum then marginal utility is: (AJK-14) (FSD-18)
(a) Positive (b) Negative
(c) Zero (d) Maximum
17. First law of consumption of wealth is:
(FSD-17)
(a) Law of demand
(b) Law of supply
(c) Law of diminishing marginal utility
(d) Law of equi marginal utility
18. First economist to present first law of consumption:
(BWP-14) (MTN-15)
(DGK-14) (AJK-15)
(a) Marshall (b) Adam Smith
(c) Robbins (d) Pigou
19. Other things remaining the same, marginal utility of a commodity diminish with its continuous consumptions. This law is called: (SGD-16)
(a) Law of Equi Marginal Utility
(b) Law of Diminishing Marginal Utility
(c) Law of Demand
(d) Law of Decreasing Return
20. Goods obtained without money are called:
(GRW-14)
(a) Economic goods (b) Non-economic goods
(c) Cheap goods (d) Superior goods
21. Goods achieving without paying price are _____ goods: (RWP-19)
(a) Economic (b) Uneconomic
(c) Inferior (d) Superior
22. Which of the following is not economic need:
(LHR-18-I)
(a) Cloth (b) Watch (c) Air (d) Car

ANSWERS

1. b	2. b	3. a	4. b	5. a
6. c	7. b	8. a	9. a	10. c
11. c	12. d	13. a	14. a	15. a
16. c	17. c	18. a	19. b	20. b
21. b	22. c			

SECTION – II**SHORT QUESTIONS ANSWERS****1. What is meant by human wants?**

(FSD-18)

Ans: Human wants are similar to needs or desires. These are satisfied with goods and services.

2. What is meant by Consumer Behaviour.

(LHR-14-I, 15-II) (GRW-17) (SGD-17)

Ans: The behaviour of the people with regard to selection, purchase and consumption of goods and services for satisfaction of their wants is called consumer's behaviour.

3. Define utility. (LHR-14-I, 16-II) (FSD-15)

(SWL-15, 16) (AJK-14, 15, 18) (SGD-19)

Ans: The power or ability of a good or service to satisfy human want is called utility. For example, water has the power to satisfy thirst, bread has the power to satisfy hunger, bulb gives light, pen is to write with etc.

4. What is zero utility. (LHR-14-II) (AJK-14)

(MTN-14, 15, 16) (SGD-17)

Ans: When desire of a good is fully satisfied and consumer has no desire to consume further unit, then utility is zero. This will be consumers' point of satiety.

5. What is difference between utility and satisfaction. (LHR-15-I)

Ans: Utility is the power of a commodity to satisfy human want. For example water has the power to satisfy thirst. Satisfaction: Fulfillment of a desire by the use of a commodity is called satisfaction. For example, if thirst of a person is quenched by drinking two glasses of water, it means his thirst is satisfied.

6. What is total utility? (LHR-15-I, 18-II)

(FSD-15) (GRW-19)

Ans: Utility which is attained from the use of a specific number of the units of a commodity is called total utility. For example, if a man eats two mangoes while the utility of the first mango is 6 and 4 of the second. Total utility will be $6 + 4 = 10$.

7. What is meant by marginal utility.

(LHR-15-II, 17-I) (MTN-16) (DGK-15, 17)

(RWP-14, 15, 17) (BWP-15, 17, 18) (AJK-14, 18)

Ans: Utility of the last unit of a commodity consumed or utility of an additional unit consumed is called marginal utility. Separate utility of every unit is also called marginal utility.

8. What is positive utility? (GRW-16) (FSD-17)

(SGD-18) (AJK-16, 17) (RWP-19)

Ans: As long as total utility keeps on increasing and marginal utility is not zero, this phase is called positive utility.

9. What is difference between utility and usefulness? (LHR-19) (BWP-14, 15)

(SWL-18) (SGD-19)

Ans: Utility does not mean usefulness because many goods are not useful e.g. wine, opium, cigarette, heroin etc. These goods are injurious to human health but they have utility because they satisfy human wants. Wine has utility for drunkard because he can not help drinking. So, we can say that utility and usefulness are like two poles which stand far away from each other.

10. What is meant by initial utility?

(FSD-14) (AJK-14) (GRW-16) (SGD-14, 15, 16)

(SWL-18) (MTN-18)

Ans: Utility obtained from consumption of first unit of commodity is called initial utility.

11. Define point of satiety. OR**What is point of situation.** (SWL-19)

(LHR-16, 17-II, 18-I) (GRW-14) (MTN-14, 15)

(AJK-17) (SGD-18) (BWP-16, 18) (RWP-19)

(FSD-19)

Ans: When desire of a good is fully satisfied and consumer has no desire to consume further unit, then utility is zero. This will be consumers' point of satiety.

12. Define negative utility. (FSD-14) (SWL-17)

Ans: When utility of a commodity is zero and the commodity is further consumed then utility becomes negative.

13. Name two determinants of utility.

(BWP-15) (FSD-16)

- Ans:** (a) Intensity of desire
(b) Weather
(c) Shape of good
(d) Change in place

14. State relationship between total utility and marginal utility. (FSD-16) (DGK-16)

- Ans:** (a) As long a marginal utility is positive, total utility increases.
(b) When marginal utility is zero, total utility is maximum.
(c) When marginal utility is negative, total utility decreases.

15. Define law of diminishing marginal utility. (LHR-16-I) (GRW-15) (RWP-15)

(SWL-16) (SGD-16) (FSD-17) (MTN-17)

Ans: Prof Marshall has defined law of diminishing marginal utility in the following words:

The additional benefit which a person derives from an increase of his stock of good diminishes with every increase in the stock that he already has.

16. Write four assumptions of law of diminishing marginal utility.

(LHR-18-I) (DGR-15) (SGD-17)

- Ans:** (a) Reasonable quantity of goods
(b) Continuous consumption
(c) Homogenous units
(d) No change in mental condition

17. Write down two limitations of law of diminishing marginal utility.

(LHR-14-II) (SGD-15) (DGK-16) (BWP-17)

Ans: (i) Knowledge (ii) Wealth (iii) Fashion

18. What is meant by economic wants?

(LHR-17-I) (MTN-16) (AJK-17, 18) (GRW-18)

(FSD-18)

Ans: These are desires that can be satisfied by consuming good service or leisure activity.

19. What is meant by Consumer goods?

(LHR-17-II) (GRW-18) (RWP-18)

Ans: The goods purchased by consumers for their personal use, called consumers goods.

20. Define Capital goods. (LHR-19) (AJK-15, 16)

(SWL-17) (MTN-14, 18) (RWP-18) (FSD-19)

Ans: The goods which are not directly used instead they are used to produce consumer goods.

SECTION – III**LONG QUESTIONS**

1. Explain law of diminishing marginal utility with the help of a table and a diagram.

(LHR-18-I) (MTN-14, 15) (SWL-15) (FSD-19)

(SGD-15, 16) (GRW-16, 17) (BWP-14, 16, 17)

(AJK-15, 18) (RWP-17, 18) (GRW-19)

**CHAPTER- 3****DEMAND AND SUPPLY****SECTION – I****MULTIPLE CHOICE QUESTIONS**

1. The quantity of a commodity that a consumer is ready to buy at a specific price is known as: (LHR-14-I)
(a) Supply (b) Demand
(c) a, b both (d) None
2. The slope of demand curve is: (GRW-17)
(LHR-17, 18-I, II, 19) (BWP-15) (SWL-18)
(AJK-15, 16, 17) (DGK-17) (MTN-19)
(a) negative (b) positive
(c) zero (d) infinite
3. Tendency of demand curve is: (RWP-18)
(a) left to right downward
(b) left to right upward
(c) right to left upward
(d) right to left downward
4. For demand of commodity, it is necessary: (SGD-18)
(a) desire and purchasing power
(b) desire and intention
(c) desire and price
(d) intention and price
5. The relationship between price and quantity demanded is called: (SGD-17) (BWP-18)
(a) Demand schedule (b) Demand curve
(c) Law of demand
(d) Assumption of law of demand

6. Under function of demand, demand depends on: (FSD-14)
 (a) institution (b) price
 (c) season (d) supply
7. The purchasing power of consumer increases, by _____ of goods: (FSD-14)
 (a) increase in demand (b) fall of prices
 (c) rise in prices (d) increase in supply
8. Increase in demand for commodity due to decrease in its price is called: (LHR-15-II) (MTN-14)
 (a) Extension of demand
 (b) Contraction of demand
 (c) Rise of demand
 (d) Fall of demand
9. The relationship between price and demand is: (LHR-16-II) (AJK-16) (SGD-19)
 (a) direct (b) inverse
 (c) balanced (d) compound
10. If a price for a commodity increases, its demand becomes: (BWP-17)
 (a) decreases (b) increases
 (c) same (d) waste
11. Reason for Rise and Fall of demand is: (MTN-16) (AJK-18)
 (a) price (b) other factors
 (c) supply (d) demand
12. Who presented formula for elasticity of demand: (GRW-16)
 (a) Adam Smith (b) Marshall
 (c) Robbins (d) Pigou
13. The concept of elasticity of demand is presented by: (RWP-19)
 (a) Marshall (b) Adam Smith
 (c) Robbins (d) Kynes
14. If proportionate change in demand is less than proportionate change in price then elasticity of demand will be: (MTN-14)
 (a) more than unity (b) less than unity
 (c) equal to unity (d) zero
15. If demand for a commodity changes because of change in price of its substitute is called: (FSD-16) (RWP-17)
 (a) Cross elasticity (b) Price elasticity
 (c) Income elasticity (d) Arc elasticity
16. If demand for X good is changed with change in price of Y good is called: (GRW-15)
 (a) Cross elasticity (b) Price elasticity
 (c) Income elasticity (d) Arc elasticity
17. Slope for curve of giffen goods is: (LHR-14, 15-I) (SGD-14, 16) (SWL-17) (FSD-18)
 (a) negative (b) positive
 (c) zero (d) horizontal
18. The demand for necessity of life is: (LHR-14-I) (FSD-17) (GRW-19) (BWP-14) (AJK-14) (RWP-16) (DGK-16)
 (a) less elastic (b) more elastic
 (c) perfectly elastic (d) inelastic
19. Elasticity of demand of luxurious goods is: (LHR-16-I) (GRW-14) (SWL-16) (DGK-19) (MTN-17, 18, 19)
 (a) zero (b) unlimited
 (c) less than unity (d) more than unity
20. Elasticity of durable goods is: (GRW-18)
 (a) more than unity (b) less than unity
 (c) equal to unity (d) zero
21. Quickly destroyable goods are called: (BWP-18) (GRW-19)
 (a) Normal goods (b) Inferior goods
 (c) Giffan goods (d) Perishable goods
22. The goods on which law of demand does not apply: (SWL-15) (RWP-15) (AJK-17)
 (a) Giffen goods (b) Normal goods
 (c) Inferior goods (d) Superior goods
23. Quantity of goods presented for sale at a specific price in a certain time period: (DGK-16) (MTN-18)
 (a) stock (b) demand
 (c) supply (d) quantity demanded
24. The quantity of a commodity in the warehouse is called: (LHR-17-1, 18-II) (GRW-17) (SGD-18)
 (a) Supply (b) Stock (c) Demand (d) Utility
25. When price of a commodity increases its supply becomes: (SWL-18)
 (a) less (b) more
 (c) balanced (d) wasted
26. Slope of supply curve is: (LHR-16-I) (FSD-17, 19) (GRW-18) (SWL-19)
 (a) negative (b) positive
 (c) maximum (d) zero

- 27. The reason of extension and contraction of supply is:** (LHR-16-I)
 (a) Population (b) Technology
 (c) Income (d) Price
- 28. Reason for extension and contraction of supply is:** (RWP-18)
 (a) price (b) income
 (c) technology (d) population
- 29. Law of supply is a _____ function:** (LHR-19) (BWP-16, 17) (SWL-17)
 (a) cross (b) inverse
 (c) decreasing (d) increasing
- 30. Supply of goods depends on:** (SGD-17) (FSD-18) (AJK-18) (RWP-19) (MTN-19)
 (a) price (b) income
 (c) price and income (d) utility
- 31. Slope of supply is:** (SWL-16) (MTN-16)
 (a) positive (b) negative
 (c) vertical (d) horizontal
- 32. Which is increasing function of price:** (MTN-14) (FSD-15) (AJK-18)
 (a) demand (b) supply
 (c) utility (d) consumption
- 33. Kinds of supply according to time is:** (GRW-15)
 (a) 2 (b) 3 (c) 4 (d) 5
- 34. Supply of durable goods is:** (LHR-15-II) (BWP-14)
 (a) elastic (b) perfectly elastic
 (c) perfectly inelastic (d) less elastic
- 35. In the market period, supply is:** (AJK-18)
 (a) variable (b) fixed
 (c) zero (d) positive
- 36. In long period, the supply curve is:** (LHR-17-II) (AJK-18)
 (a) less elastic (b) more elastic
 (c) inelastic (d) infinite elastic
- 37. The responsiveness of quantity supplied to change in price is called:** (LHR-18-I)
 (a) Elasticity of demand
 (b) Elasticity of supply
 (c) Income elasticity
 (d) Cross elasticity
- 38. Who presented unity method to measure elasticity of supply:** (MTN-14)
 (a) Furgosan (b) Marshall
 (c) Robbins (d) Adam Smith
- 39. If change in quantity supplied is 10% and change in price is 20% then elasticity of supply is:** (LHR-15-I)
 (a) 20% (b) 10% (c) 0.5% (d) zero
- 40. If the quantity supplied does not change due to change in price it is called as _____ supply:** (GRW-19)
 (a) Fixed (b) Variable
 (c) Short period (d) Long period
- 41. The supply curve of perishable goods is:** (RWP-19) (LHR-19)
 (a) Horizontal (b) Vertical
 (c) Elliptical (d) Cross wise
- 42. The supply of perishable goods is:** (LHR-17-II) (GRW-14, 16) (BWP-15, 16) (MTN-14, 16) (SGD-19) (SWL-17, 18, 19) (AJK-16, 17) (DGK-15, 17, 19) (RWP-18)
 (a) less elastic (b) more elastic
 (c) fixed (d) perfectly elastic
- 43. If elasticity of supply is zero, the slope of supply curve will be:** (FSD-14)
 (a) to right upwards (b) to right downward
 (c) horizontal (d) vertical
- 44. The price at which demand and supply are equal, is called:** (LHR-16-I, II) (18-II) (DGK-16, 17) (MTN-14) (FSD-15, 17) (SGD-18)
 (a) Equilibrium quantity
 (b) Equilibrium price
 (c) Reserve price
 (d) Balance of payment
- 45. Equilibrium of a market is a situation where forces of demand and supply are:** (LHR-18-I) (SGD-16)
 (a) same (b) opposite
 (c) positive (d) negative
- 46. In market equilibrium, the determination of price depends on:** (LHR-17-I) (AJK-15, 16) (SWL-16) (GRW-17) (SGD-17) (MTN-16, 18, 19)
 (a) Demand (b) Supply
 (c) Demand and Supply (d) Fixed Supply
- 47. If there is equal increase in demand and supply, the equilibrium price will:** (FSD-19) (LHR-14-II) (RWP-14) (MTN-15) (AJK-14, 17)
 (a) rise (b) fall
 (c) unchange (d) none
- 48. If supply does not change, then due to rise in demand, equilibrium price:** (LHR-15-I)
 (a) increases (b) decreases
 (c) does not change (d) zero

49. Under perfect competition price is determined by: (LHR-14-I) (GRW-15) (RWP-18) (FSD-18)

- (a) by sellers (b) by buyers
(c) by Govt.
(d) forces of demand and supply

50. Equilibrium of market is where: (SWL-15) (GRW-16) (AJK-15, 16)

- (a) $q_d - q_s = 0$ (b) $q_d = 0$
(c) $q_s > q_d$ (d) $q_s < q_d$

51. The price for perishable goods is effected by: (DGK-15, 19)

- (a) demand (b) supply
(c) government (d) income

52. Perishable goods are sold in: (GRW-18)

- (a) local market (b) domestic market
(c) international market (d) special market

53. If demand decreases at fixed supply, then price will: (BWP-17)

- (a) decrease (b) increase
(c) same (d) zero

54. A place where goods are easily purchased and sold at a fixed price is called: (FSD-14)

- (a) Shop (b) Warehouse
(c) Perfect market (d) Imperfect market

55. Reserve price is fixed by: (BWP-14) (RWP-16)

- (a) buyer (b) seller
(c) government (d) district administration

56. If at fixed supply demand increases then price will be: (MTN-17)

- (a) zero (b) same (c) more (d) less

ANSWERS

1. b	2. a	3. a	4. a	5. c
6. b	7. b	8. a	9. b	10. a
11. b	12. b	13. a	14. b	15. a
16. a	17. b	18. a	19. d	20. a
21. d	22. a	23. c	24. b	25. b
26. b	27. d	28. a	29. d	30. a
31. a	32. b	33. b	34. a	35. b
36. b	37. b	38. b	39. c	40. a
41. b	42. d	43. d	44. b	45. a
46. c	47. c	48. a	49. d	50. a
51. a	52. a	53. a	54. c	55. b
56. c				

SECTION – II

SHORT QUESTIONS ANSWERS

1. What is Demand? (LHR-14, 15, 16-I)

(AJK-14) (BWP-17) (FSD-15, 18) (SWL-18)
(GRW-19) (SGD-19) (MTN-19)

Ans: Demand means the quantity of a commodity which a consumer is ready to purchase at different prices.

2. Why demand curve is sloped negative?

(LHR-14, 17-I) (GRW-16) (AJK-17)

Ans: There are three reasons of negative slope of demand curve:-

- (i) **Number effect:** Increase in the number of consumers due to the fall in price.
(ii) **Income effect:** Due to the fall in price of a commodity real income of the consumers increases and they purchase more of the commodity.
(iii) **Substitution effect:** When the price of a particular commodity falls, it becomes relatively cheaper than its substitutes. So, people increase its demand.

3. What is slope of demand curve?

(LHR-16-I)

Ans: The demand curve has always tendency to move from the left to the right. It means that demand curve has always negative slope.

4. What is meant by demand function?

(LHR-18-I)

Ans: The functional relation of demand and price is called demand function i.e

$$q_d = f(p)$$

5. What is meant by market demand?

(FSD-14) (MTN-14) (DGK-16)

Ans: The aggregate demand of all buyers in the market at different prices is called market demand.

6. What is meant by extension and contraction of demand? (MTN-14, 17)

(BWP-15, 17) (RWP-15, 17) (FSD-16, 17)

Ans: If demand increases with fall in price and decrease with rise in price such increase or decrease in demand is called extension and contraction of demand.

7. What is meant by extension of demand?

(AJK-16,17) (MTN-18)

Ans: According to law of demand, when price of a commodity decreases, its demand increases it is called extension of demand.

8. What is meant by contraction of demand?

(LHR-17-II) (SWL-18)

Ans: When price of a commodity increases, its demand decreases. It is called contraction of demand.

9. Define law of demand.

(LHR-16, 18-II)

(RWP-14) (AJK-15) (DGK-16) (MTN-16) (GRW-18)

Ans: If other things remain constant, when the price of a commodity decreases, its demand increases and when its price increases, its demand decreases.

10. Write two assumptions of law of demand.

(BWP-14, 16) (FSD-14, 18) (AJK-18)

(RWP-15, 19) (MTN-19)

- Ans:** (a) Homogenous units.
 (b) No change in taste.
 (c) No change in income.
 (d) No change in price of substitutes.

11. Define elasticity of demand.

(LHR-15-II)

(FSD-16) (RWP-14) (MTN-15) (DGK-15)

(AJK-16) (GRW-17) (SGD-17)

Ans: Elasticity of demand is the rate of change in quantity demanded of a commodity to a change in its price.

12. Write two determinants of elasticity of demand.

(LHR-14-II) (FSD-19)

- Ans:** (1) Nature of a commodity.
 (2) Availability of substitute.

13. Differentiate between more elastic and less elastic demand.

(SWL-16) (DGK-16)

Ans: More elastic demand: When a small change in price causes a big change in demand, it is called more elastic demand. The demand for comforts and luxury goods is more elastic.

Less elastic demand or inelastic demand:

If a big change in price causes a very small change in demand, it is called less elastic demand. The demand for necessities of life is less elastic.

14. What is zero elasticity of demand?

(GRW-15) (MTN-19) (DGK-19)

Ans: If change in price does not effect demand in any way then elasticity of demand will be zero.

15. What is meant by change in demand?

(GRW-16)

Ans: Demand changes due to two reasons:

- (a) Change in price.
 (b) Change in other factors.

16. Write the names of the methods of measurement of elasticity of demand.

(SGD-16) (AJK-18)

Ans: There are three methods of measurement of elasticity of demand.

- (i) Percentage method.
 (ii) Total outlay method.
 (iii) By Mathematical formula.

17. Define point elasticity of demand?

(LHR-14,16-II, 18-I) (BWP-15) (SGD-14, 15)

(AJK-15, 16, 17) (FSD-17) (SWL-17) (GRW-18)

Ans: If there is very small change in demand as a result of a very small change in price, this type of change in demand is called point elasticity of demand. In this case, both the points on the demand curve are so closed to each other that they look like one point.

18. Write formula of point elasticity of demand.

(FSD-18) (DGK-19)

$$\text{Ans: } Ed = \frac{\Delta q}{\Delta p} \times \frac{p}{q}$$

19. What is Arc elasticity? Write its formula?

(LHR-17-II) (RWP-16) (BWP-16)

(MTN-17) (AJK-14, 17, 18)

Ans: If there is a big change in demand as a result a big change in price, then this type of change in demand is called arc elasticity of demand. In this case two distinct points appear on the demand curve.

$$Ed = \frac{q^0 - q^1}{q^0 + q^1} \times \frac{P^0 + P^1}{P^0 - P^1}$$

20. Define income elasticity of demand.

(LHR-15,18-II) (MTN-15) (RWP-18) (BWP-18)

(GRW-15, 19)

Ans: Ratio of percentage change in demand for a commodity in response to a percentage change in income, is called income elasticity of demand.

21. Define cross elasticity of demand.(LHR-15-II) (SGD-16) (SWL-16) (DGK-17)
(RWP-17) (MTN-18)

Ans: If as a result of change in price of one commodity, demand for some other commodity changes while price of the other commodity remains constant. For example, demand for commodity X changes due to the change in price of commodity Y. Then it is called cross elasticity of demand.

22. What is meant by substitute? (LHR-17-I)

(BWP-16) (RWP-16, 19) (SGD-19)

Ans: The goods which can be used in place of each other, are called substitutes or substitute goods. For instance, mutton and chicken, tea and coffee etc are substitutes of each other.

23. What is composite demand? (GRW-17)

(LHR-14-II, 19) (BWP-14)

Ans: Some commodities are used for different purposes. Demand for such commodities for all their purposes is called composite demand. For example demand for electricity for all purposes will be composite demand.

24. What are Giffin goods? (GRW-14)

(MTN-14) (SGD-18)

Ans: The goods whose demand rises with the rise in price and their demand falls with the fall in price, are called Giffin goods. In other words Giffin goods are such goods, on which law of demand does not apply.

25. What is joint demand? (SGD-18) (AJK-18)

Ans: In order to satisfy some wants more than one commodities are needed. For example bat and ball, racket and shuttle cock, car and petrol etc. These are jointly demanded. Demand for such commodities is called joint demand. Jointly demanded goods are also called complements.

26. What is meant by complements goods?

(AJK-16)

Ans: The goods that are demanded jointly to satisfy a want are called joint demanded goods or complements e.g. Bat and ball, car and petrol, pen and ink etc.

27. What is meant by fall of demand?

(BWP-18)

Ans: If the price of a commodity remains constant, but demand for it decreases due to some other cause, it is called fall of demand.

28. What is meant by supply? (LHR-17-I)(FSD-17, 18) (GRW-15) (BWP-15) (RWP-15)
(MTN-17) (AJK-16, 18) (SGD-19)

Ans: Supply means the quantity of a commodity offered for sale in a market at a certain price during a given period of time. For example, if the price of flour is Rs. 15/- per Kg in the market and 1000 Kg flour is offered in market for sale, then the supply of flour will be 1000Kgs.

29. What is meant by stock? (LHR-16-I, 18-II)

(FSD-14) (AJK-15) (RWP-18)

Ans: The total quantity of a commodity available in the market or in the possession of the sellers at some period of time is called stock.

30. What is meant by short period supply?

(LHR-19) (AJK-17) (GRW-19)

Ans: Short period is a period during which new factories cannot be set up to produce a commodity. However if there is productive capacity in the existing factories, production can be increased. Double shift can be run. Supply can be increased through the existing stock. So, supply is less elastic in the short period.

31. Define market supply. (AJK-18)

Ans: Market period lasts for a day or a period a bit more or less than a day. During this period, it is not possible to increase or decrease the supply of a good. Supply of meat, milk, fruit and groceries is market period supply because supply of these commodities cannot be increased or decreased immediately. So, supply of a commodity during market period is inelastic.

32. What is the difference between Stock and Supply? (LHR-14,17-I) (GRW-15)

(DGK-15, 16) (AJK-14, 16, 17) (RWP-17)

(SWL-15, 16, 18) (BWP-18) (MTN-19) (FSD-19)

Ans: The total quantity of a commodity available in the market or in the possession

of the sellers at some period of time is called stock, whereas supply is the quantity which is offered for sale at a certain price out of the present stock. For example if the sellers have total 500 tons of sugar at some period of time, it is called stock. If they offer 300 tons of sugar out of 500 tons for sale at price Rs 30/- per Kg in the market, it will be called supply.

33. What is the slope of supply curve?

(LHR-14-I) (FSD-15)

Ans: Supply curve has a tendency to move from the left to the right upward. It means its slope is positive.

34. State law of supply. (LHR-15-I) (FSD-16) (RWP-16) (BWP-14,17) (DGK-17, 19) (MTN-18) (GRW-19)

Ans: If all other things remain constant, the quantity supplied of a commodity increases as a result of an increase in its price and vice versa.

35. Write four assumptions of law of supply. (SGD-14) (SWL-15) (DGK-15) (FSD-16, 17) (MTN-17) (AJK-18)

- Ans:** (a) No change in production cost.
 (b) No change in techniques of production.
 (c) No restrictions by Govt.

36. Define elasticity of supply. (FSD-14) (SGD-14) (GRW-14, 16) (BWP-16) (DGK-17, 19) (AJK-14, 15, 17) (SWL-17, 19) (RWP-18)

Ans: Elasticity of supply is the degree of responsiveness of supply of a commodity to change in its price.

37. What is zero elasticity of supply?

(LHR-16-II) (RWP-14) (SGD-18)

Ans: If the change in price does not affect the quantity supplied and the quantity supplied remains constant, it is said that elasticity of supply is zero. In this case, supply curve is vertical or parallel to oy axis.

38. What is infinite elasticity of supply?

(LHR-17-II) (DGK-15) (AJK-15)

Ans: If the quantity supplied reduces to zero at a slight decrease in price, and the quantity supplied extends to infinity at a slight

increase in price, the elasticity of supply is said to be infinite. The curve of this kind of supply is horizontal or parallel to ox axis.

39. What is meant by joint supply?

(LHR-15-II) (SGD-14) (MTN-15, 19) (BWP-19) (AJK-16) (SWL-17) (RWP-19)

Ans: Joint supply means the supply of those goods which are produced jointly, for example, cotton and cotton seed, wheat and chaff.

40. What is meant by less elastic supply?

(SWL-16)

Ans: Big change in the prices of some commodities causes a very small change in their supply, elasticity of supply of such commodities is less elastic.

41. Write formula for elasticity of supply.

(GRW-16) (SGD-16)

$$\text{Ans: } E_s = \frac{\Delta q}{\Delta p} \times \frac{p}{q}$$

42. Write the methods of measurement of elasticity of supply. (RWP-19) (SGD-19)

Ans: The methods of measurement of elasticity of supply are three.

- Percentage method.
- Proportional method.
- By Mathematical formula.

43. What is meant by elasticity of supply less than unity. (LHR-15-II) (MTN-15) (FSD-15) (SWL-19)

Ans: If the ratio of change in supply is less than that of price, elasticity of supply is said to be less than unity.

44. Name kinds of supply according to time. (LHR-14-II, 18-I) (BWP-14) (SGD-15) (RWP-16) (SWL-17)

Ans: There are three types of supply in view of time period.

- Market period supply
- Short period supply
- Long period supply

45. What is composite supply? (LHR-18-I) (RWP-17) (AJK-17) (SWL-18) (SGD-16, 18)

Ans: If a commodity is obtained from different means, then its supply is the total quantity obtained from all such means which is called composite supply. For example, milk is obtained from buffalo, cow and goat etc.

46. What is meant by competitive supply?

(MTN-14) (DGK-16) (GRW-14, 17)

Ans: There are some commodities whose supply competes with each other. It means if the supply of a commodity is increased for one use, then its supply for some other use decreases. For example, if the supply of wood is increased for manufacturing furniture, then its supply for burning will decrease.

47. What is market? (LHR-16,17-1)

Ans: The place where goods or services are bought and sold.

48. Write four essential elements of a market. (LHR-17-II) (AJK-18) (RWP-19)

Ans: Price, product, place and promotion.

49. What is meant by market equilibrium?

(LHR-14-II) (RWP-17) (GRW-15, 16, 18) (SWL-18) (SGD-15, 16, 19)

Ans: Market equilibrium occurs when quantity demanded becomes equal to quantity supplied in the market. With the changes in price demand and supply move in the opposite directions. Finally a certain price comes, at which the demand and supply become equal to each other. This price is known as equilibrium price and the quantity which is sold and purchased at this price is known as equilibrium quantity.

50. What is Equilibrium price? (LHR-18-II)

(FSD-15,16,17) (DGK-17) (MTN-17) (RWP-18) (BWP-18) (SWL-19) (DGK-19)

Ans: Price at which demand and supply are equal to each other is called equilibrium price.

51. What is meant by reserve price?

(LHR-15-II, 19) (BWP-14, 15) (AJK-14, 15, 16)

Ans: Reserve price is the minimum price below which a seller does not want to sell any quantity of his commodity. This price depends upon the nature of the commodity and circumstances of the seller.

52. What is meant by normal price?

(LHR-14-I) (SWL-16) (RWP-16) (DGK-16) (GRW-19)

Ans: Normal price of a commodity means the price which is determined by the equilibrium of its demand and supply in such circumstances when producers have

enough time to adjust production to meet the demand in case of rise and fall in demand. It means supply is not fixed. This can be (a) short period normal price and (b) long period normal price.

53. What is meant by market price? (MTN-18)

(LHR-16-II, 18-I) (RWP-14) (SWL-15) (AJK-17)

Ans: Market period lasts for a day or period a bit more or less than a day. Market price is the price which is settled by the equilibrium of demand and supply within a day.

54. What is meant by durable goods?

(MTN-15) (DGK-15) (BWP-16) (GRW-17) (SGD-18)

Ans: The goods which do not perish are called durable goods. e.g. pencil, pen and chair etc.

55. Differentiate between perishable and durable goods. (AJK-16,17)**Ans:**

Perishable goods	Durable goods
The goods which rot or become stale very soon or the goods which can not be stored are called perishable goods, for example, milk, fish, fruits and vegetables etc.	The goods which do not rot or spoil very soon are called durable goods e.g. pen, paper, pencil, cloth etc.

56. What is meant by short period price?

(LHR-15-I) (DGK-14)

Ans: The price which is determined by the equilibrium of demand and supply during short period is called short period price.

SECTION – III**LONG QUESTIONS**

- Describe law of demand. Explain with the help of table and diagram. Also write its assumptions and limitations. (LHR-15, 17-I) (SGD-14, 16) (SWL-16) (FSD-18) (GRW-19) (AJK-16, 18)
- Explain extension and contraction of demand with schedule and diagrams. (LHR-19)
- Explain rise and fall in demand with the help of table and diagram. (FSD-14) (AJK-15) (DGK-16) (RWP-17)

4. Write determinants of elasticity of demand. (LHR-18-I) (SGD-18)
5. State different aspects of elasticity of demand. (AJK-16) (FSD-17)
6. Explain concept of elasticity of demand. Also mention various methods of its measurement. (MTN-14,15)
7. Explain the concepts of point and Arc elasticity of demand. (LHR-14-I) (FSD-15) (SWL-15) (BWP-16) (MTN-17) (AJK-17)
8. Explain point elasticity of demand graphically and mathematically. (AJK-17)
9. State practical importance of elasticity of demand. (BWP-14)
10. Explain total expenditure method of measurement of elasticity of demand. (LHR-15-II)
11. Explain law of supply with the help of table and diagram. (LHR-18-II) (RWP-14) (SGD-15) (AJK-16, 18) (GRW-17, 18) (MTN-19)
12. Explain extension and contraction of supply with the help of table and diagram. (LHR-16-I) (RWP-15, 16, 18)
13. Explain concept of Rise and Fall of supply with the help of table and diagram. (AJK-14) (BWP-15) (SGD-17)
14. Write down various causes of change in supply. (GRW-15)
15. Explain concept of elasticity of supply. Also write methods of its measurement. (LHR-14-II) (FSD-16, 19)
16. Explain market equilibrium with the help of table and diagram. (LHR-17-II) (GRW-14) (DGK-15, 17) (SWL-18) (BWP-18) (MTN-18)
17. How price for perishable commodities will be determined. Explain it with the help of table and diagram. (FSD-15)
18. Explain Market price determination of Durable goods with its schedule & diagram. (SGD-18) (MTN-18, 19) (RWP-19) (SWL-19)
19. Describe factors affecting elasticity of supply. (FSD-17)



CHAPTER - 4

FACTORS OF PRODUCTION

SECTION - I

MULTIPLE CHOICE QUESTIONS

1. Factors of production are: (SGD-16, 19) (LHR-17-I, 18-II, 19) (DGK-15) (GRW-17) (AJK-14, 16, 17) (SWL-15, 18) (FSD-18)
 - (a) one (b) two (c) three (d) four
2. Basic factor of production is: (RWP-16, 19) (LHR-16-II) (MTN-16) (SGD-17) (AJK-16, 18)
 - (a) land (b) labour (c) capital (d) organisation
3. Which of the following is not land: (LHR-14-I) (AJK-14) (SGD-14)
 - (a) River (b) Mountain (c) Forests (d) Mangla dam
4. Free gift of nature is: (LHR-18-I) (RWP-17) (MTN-14)
 - (a) land (b) labour (c) capital (d) organisation
5. Supply of land is: (RWP-18) (SGD-18) (MTN-17) (GRW-19) (SWL-19)
 - (a) marginal (b) infinite (c) variable (d) fixed
6. Which is not included in natural resources: (BWP-18)
 - (a) Minerals (b) Climate (c) Money (d) Forests
7. The reward of land is called: (MTN-18)
 - (a) Price (b) Rent (c) Interest (d) Profit
8. Reward for labour is called: (LHR-17, 18-II) (SWL-16) (RWP-19)
 - (a) Wages (b) Rent (c) Interest (d) Profit
9. Which factor of production cannot be stored? (BWP-14) (DGK-14, 16) (RWP-18) (AJK-18)
 - (a) labour (b) organisation (c) capital (d) land
10. If an organizer provides his services, what they are called in economics: (FSD-16)
 - (a) Organisation (b) Discipline (c) Labour (d) Wages

11. In economics every mental and physical effort under taken for reward is called:

(GRW-15)

- (a) Land (b) Labour
(c) Capital (d) Organisation

12. Which of the following factor's supply is fixed:

(AJK-17) (DGK-17) (SWL-18)

- (a) land (b) labour
(c) capital (d) organisation

13. Which is not capital:

(DGK-17)

- (a) Residence (b) Factory
(c) Amount deposited in bank
(d) Truck

14. Which factors is the result of human efforts:

(LHR-15-II) (FSD-15)

- (a) land (b) labour
(c) capital (d) organisation

15. A raise in level of wages, supply of labour will:

(LHR-16-I)

- (a) less (b) limited
(c) unlimited (d) increase

16. All factors can be hired, except:

(LHR-14-II)

- (a) land (b) labour
(c) capital (d) organization

17. Reward of capital is:

(RWP-14) (SGD-18)

(MTN-19)

- (a) Price (b) Rent
(c) Interest (d) Profit

ANSWERS

1.	d	2.	a	3.	d	4.	a	5.	d
6.	c	7.	b	8.	a	9.	a	10.	a
11.	b	12.	a	13.	b	14.	c	15.	d
16.	d	17.	c						

SECTION – II

SHORT QUESTIONS ANSWERS

1. What is meant by Factors of production.
(FSD-15) (MTN-16) (BWP-17, 18) (AJK-16, 18)

(GRW-19)

Ans: The factor which a man needs to produce goods and services of his needs are called factors of production. i.e. land, labour, capital and organisation.

2. What are factors of production.

(AJK-14, 15) (GRW-16) (BWP-14,17)

Ans: Land, Labour, Capital, Organization.

3. Write reward for factors of production.

(MTN-16)

Ans: Land — Rent
Labour — Wages
Capital — Interest
Organization — Profit

4. What is meant by land?

(LHR-18-I) (AJK-14, 16) (MTN-17) (RWP-18)

(FSD-18) (RWP-19)

Ans: Land does not only mean the surface on which we walk or live. It includes all those things which are gifted free by nature. e.g. Mountain, Forests, Rivers, Climate etc.

5. Write two points of importance of land.

(LHR-18-II)

Ans: (a) Provision of food
(b) Provision of residence
(c) Provision of minerals
(d) Means of transportation.

6. Write four characteristics of land.

(LHR-16-I) (GRW-15,16,17) (FSD-17) (DGK-17)

(SWL-19)

Ans: (i) Land is a free gift of nature.
(ii) Its supply is limited.
(iii) All the pieces of land are not equal in fertility.
(iv) Geographically, there is no mobility in land.

7. What is meant by productivity of land?

(SGD-17)

Ans: Productivity of land means efficiency of land.

8. Write four factors affecting productivity of land.
(SWL-17)

Ans: (a) Physical features
(b) Human Resources
(c) Location
(d) Means of transportation

9. State meaning of labour. (LHR-14,16-II)

(FSD-14, 19) (MTN-14,15) (BWP-17, 18)

(SWL-18) (RWP-15, 19) (DGK-16)

Ans: Labour is second factor of production. Labour means mental or physical work undertaken for reward. Labour can be mental or physical. For example, teaching, work by a clerk and treatment by a doctor are mental work. Quite contrary to that, the work done by a labour, carrier, farmer, and carpenter is physical work. The condition

for labour is that it is done for wages whether they are in the form of money, goods or grains.

10. What is meant by productivity of labour? (AJK-17)

Ans: Productivity of labour means efficiency of labourers to produce goods and services.

11. What is meant by nominal wages? (LHR-17-II)

Ans: It is a monetary compensation paid by an employer to an employee in exchange for work done.

12. Define production of wealth. (SGD-17) (GRW-18, 19)

Ans: Production of wealth means the production of such goods and services which have following three characteristics:-

- (i) Utility
- (ii) Scarcity
- (iii) Transferability

13. What is meant by mobility of labour? (LHR-17-I) (MTN-16) (RWP-16) (DGK-16) (AJK-16) (SWL-17) (SGD-16, 17, 19)

Ans: Shifting of labourers from one place to another or from one work to another is called mobility of labour.

14. Define Vertical Mobility of Labour. (AJK-18)

Ans: Vertical mobility of labour mean through promotion or due to any other reason, shifting from a junior position to a senior position.

15. What is meant by occupational mobility of labour? (AJK-18)

Ans: Occupational mobility refers to the changing of profession by a worker to enjoy higher income.

16. Define capital. (LHR-16-I, 18-II) (FSD-14) (GRW-14) (RWP-15) (DGK-17) (SGD-17) (AJK-16, 17, 18) (MTN-19)

Ans: Capital is third factor of production. It means that part of income or wealth which is spent to produce more wealth or increase income e.g., machines, equipments, raw material, factories, roads, railway lines, dams and grid stations etc.

17. What is meant by productivity of capital? (SGD-16) (SWL-18) (MTN-18)

Ans: It means the efficiency of capital. If more production can be obtained from use of

capital its productivity will be higher and vice versa.

18. Write factors affecting productivity of capital. (LHR-17-II)

- Ans:** (1) Combination of capital with other factors.
 (2) Trained labour
 (3) Proper use of capital.
 (4) Nature of raw material.

19. What is meant by organization? (RWP-14) (GRW-16) (DGK-16, 19) (BWP-17) (FSD-17) (SGD-17)

Ans: The factor which is needed to produce goods by the combination of land, labour and capital is called organization or entrepreneur. An entrepreneur organizes the system of the whole business. He combines other factors to do work. He pays them rewards and earns profit by selling produced goods. Sometimes he has to bear loss.

20. Write four functions of organiser. (LHR-16, 17 - II, 18-I) (SGD-18)

- Ans:** (i) Planning of business.
 (ii) To attain best combination of factors of production.
 (iii) To manage the business.
 (iv) To make payment of rewards to other factors of production.

SECTION – III

LONG QUESTIONS

- State characteristics of land. (LHR-15-II, 17-I, 18-I) (SGD-17)
- Explain the factors those influence the productivity of land. (SGD-19)
- Define labour also write its importance and characteristics. (LHR-14-I)



CHAPTER-5

LAWS OF RETURN

SECTION – I

MULTIPLE CHOICE QUESTIONS

- Scale of production means: (RWP-19)
 - (a) Production Method
 - (b) Technology
 - (c) Size of Business
 - (d) Nature of commodity

2. Change in total product is called:

(GRW-14) (AJK-16, 17)

- (a) Average product (b) Variable product
(c) Marginal product (d) Constant product

3. When average product falls, marginal product:

(MTN-15)

- (a) Increases (b) Zero
(c) Same (d) Decreases

4. Production of last unit of production of a factor is called:

(BWP-14)

- (a) Total product (b) Average product
(c) Marginal product (d) Positive product

5. When total production increases, marginal product:

(SGD-16, 17)

- (a) Positive (b) Negative
(c) Positive or negative
(d) Zero

6. When total product is maximum, marginal product:

(SGD-15) (SWL-16, 17) (FSD-18)

- (a) Positive (b) Negative
(c) Zero (d) Infinite

7. When average product increase, Marginal product:

(RWP-15, 16)

- (a) Decreases (b) Zero
(c) Negative (d) Increases

8. When marginal product is zero, total product is:

(LHR-15-I) (AJK-15) (RWP-17)

- (a) Maximum (b) Minimum
(c) Negative (d) Zero

9. Marginal product is shown by:

(LHR-16-II) (GRW-17,18)

- (a) AC (b) AP (c) MP (d) MC

10. When marginal product is negative, total product:

(SWL-18) (BWP-18)

- (a) Decreases (b) Increases
(c) Zero (d) Infinite

11. Laws of return are:

(LHR-17-I, II)

(DGK-15) (GRW-16) (SWL-17, 19) (AJK-16, 18)

(MTN-19)

- (a) One (b) Two (c) Three (d) Five

12. In laws of return, units of labour are:

(BWP-17)

- (a) Fix (b) Variable
(c) Zero (d) Infinite

13. Other name of law of increasing return is:

(RWP-14) (AJK-17) (DGK-17)

- (a) Law of fixed cost
(b) Law of increasing cost
(c) Law of alternate
(d) Law of decreasing cost

14. The productive sectors where the use of human mind and intelligence is more, is applied on:

(FSD-16)

- (a) Law of increasing cost
(b) Law of increasing return
(c) Law of constant return
(d) Law of decreasing return

15. Law of increasing returns is applied on:

(MTN-16, 18) (SGD-19)

- (a) Industry (b) Agriculture
(c) Trade (d) Construction

16. Other name of law of constant return is:

(BWP-14) (DGK-14) (FSD-15)

- (a) Law of decreasing cost
(b) Law of increasing cost
(c) Law of cost
(d) Law of constant cost

17. In law of constant cost, costs:

(GRW-15)

- (a) Increase (b) Decreases
(c) Constant (d) None

18. Application of law of constant return is on:

(MTN-17)

- (a) Agriculture and Industry
(b) Agriculture
(c) Industry (d) Trade

19. In law of diminishing return, Marginal products:

(LHR-15-II)

- (a) Increases (b) Decreases
(c) Constant (d) Does not change

20. In decreasing return, the slope of marginal product curve is:

(BWP-15)

- (a) Negative (b) Positive
(c) Infinite (d) Zero

21. Immediate application of law of decreasing return is on:

(LHR-16-I, 17-II, 19)

(DGK-16) (RWP-18) (SGD-18)

- (a) Industry (b) Agriculture
(c) Trade (d) Construction

22. Which law is applied on agriculture:

(MTN-14)

- Law of increasing return
- Law of substitution
- Law of decreasing return
- Law of decreasing cost

23. Other name of law of diminishing return is:

- (LHR-14-I,II) (AJK-14) (BWP-16) (SWL-17)
- Low of increasing cost
 - Low of constant lost
 - Low of decreasing cost
 - Lows of return

24. Laws of cost are:

(LHR-18-I)

- (a) 2 (b) 4 (c) 3 (d) 5

ANSWERS

1.	c	2.	c	3.	d	4.	c	5.	a
6.	c	7.	d	8.	a	9.	c	10.	a
11.	c	12.	b	13.	d	14.	b	15.	a
16.	d	17.	c	18.	a	19.	b	20.	a
21.	b	22.	c	23.	a	24.	c		

SECTION – II**SHORT QUESTIONS ANSWERS****1. Define scale of production. (BWP-16)**

Ans: Scale of production includes the size of a business, quantity of input and volume of production.

2. Define small scale of production. (AJK-18)

Ans: A scale of production where goods are produced at a small level using simple machines and less labour resources are called small scale production.

3. Define large scale of production. (BWP-16) (LHR-19)

Ans: The scale of production where goods are produced at larger scale with the help of machinery and latest technology.

4. What is meant by external Economics. (BWP-16) (GRW-19)

Ans: External economics means the favourable effects which reduce the average cost product as industry grows.

5. Define Total product. (LHR-15-II) (DGK-15)

(SWL-15) (SGD-15, 16) (BWP-17) (RWP-17) (FSD-16, 17) (GRW-14, 15, 18) (AJK-18)

Ans: A certain quantity of output produced by a firm by employing certain units of a factor

of production at a given time is known as total product. For example, a firm produces one thousand meters of cloth by employing ten units of labour. This one thousand meters cloth is the total product of this firm.

6. What is marginal product? (LHR-15-II)

(AJK-15, 16, 17) (GRW-17) (MTN-15, 18, 19) (RWP-14, 15, 19) (SGD-14-16, 19) (DGK-19)

Ans: The increase in total output by employing an additional unit of a factor is called marginal product. For example, if 100 meters cloth is produced by employing ten units of labour and by employing an additional unit of labour or eleven units of labour, total product rises to 105 meters, then production of 11th unit or marginal product will be $105 - 100 = 5$ meters.

7. Explain the concept average product.

(LHR-15, 17-II, 18-I,II, 19) (FSD-15) (DGK-14, 15, 16) (AJK-15) (MTN-14, 16) (BWP-15, 16) (SGD-17) (RWP-16, 18)

Ans: Per unit output of a factor of production is called average product. To know average product, total output of a factor is divided by its units.

$$\text{Average product} = \frac{\text{Total output}}{\text{Units of factor}}$$

8. Define law of increasing return.

(LHR-14-I, 15-II) (BWP-14) (RWP-14, 15) (SGD-15) (MTN-15) (GRW-15, 16, 17) (DGK-16, 17, 19) (AJK-15, 17, 18)

Ans: In production process, when marginal product increases with the increase in units of variable factors along with fixed factor, it is called law of increasing return.

9. Define law of constant return. (DGK-16)

(LHR-18-II) (AJK-14, 15) (RWP-18, 19) (MTN-14, 16, 17) (FSD-14, 18) (BWP-16, 18)

Ans: If in a production process, along with the fixed factor of production by increasing units of variable factors, marginal product remains constant, then this tendency of change in production is called law of constant return.

10. Define law of decreasing return.

(LHR-15, 18-I) (SGD-16) (FSD-14, 16) (AJK-14, 18) (SWL-15, 17, 18) (MTN-19)

Ans: In production process, when units of variable factors along with fixed factor of

production are increased and increase in total production is less than units and as a result marginal product goes on falling. This tendency of fall in marginal product is called law of diminishing return.

11. Write four assumptions of law of decreasing return. (LHR-16-II) (BWP-14, 18)

Ans: Assumptions of law of diminishing return:-

- Quantity of fixed factor should not change.
- Production technique should not change.
- Optimum production level should have been passed.
- Units of labour and capital should be identical.

12. What is meant by law of variable proportion. (LHR-17-I) (SGD-19) (SWL-19)

Ans: In production process, when units of variable factors are increased continuously with fixed factor of production, then first of all law of increasing return applies and marginal product increases to a certain level. After this level, marginal product remains constant for sometime. During which law of constant return applies. Then, after this marginal product starts falling and law of diminishing return applies.

13. What are laws of cost?

(LHR-17-I) (SGD-18)

Ans: When production process is under various laws of return (increasing, constant and decreasing), at the same time it is also under various laws of costs (decreasing, constant and increasing).

14. What is meant by law of increasing cost. (LHR-14-III, 15-I) (GRW-14) (FSD-15, 19) (BWP-15) (RVP-16) (AJK-16, 17) (GRW-14, 19)

Ans: When production process is under law of diminishing return, marginal product falls and per unit marginal costs increase. That is why, law of diminishing return is also called law of increasing costs.

15. Define law of decreasing cost.

(LHR-16,17-II) (SWL-19)

Ans: When production process is under law of increasing return, then marginal product increases and as a result per unit marginal

cost decreases. That is why, law of increasing return is also called law of decreasing cost.

16. Define Law of Equi Cost.

(SWL-16) (FSD-18)

Ans: When production process is under law of constant return, marginal product remains constant and per unit marginal costs do not change. That is why, law of constant return is also called law of constant costs.

SECTION – III

LONG QUESTIONS

- Explain law of Increasing return with the help of table and diagram. (LHR-18-I) (AJK-14, 15) (DGK-17) (RWP-14, 16, 18, 19) (MTN-19)
- Explain law of constant return with the help of table and diagram. (SGD-14) (LHR-15-I)
- State law of decreasing return with the help of table and diagram. (BWP-14) (AJK-14) (FSD-16) (SGD-16) (MTN-15, 17) (DGK-19)
- Explain laws of return with the help of schedule and diagram. (LHR-19) (SWL-16)



CHAPTER- 6

FIRM'S COST OF PRODUCTION AND REVENUE

SECTION – I

MULTIPLE CHOICE QUESTIONS

- Under monopoly, slope of average revenue and marginal revenue curves is: (GRW-15) (SWL-15) (FSD-16)
 - Positive
 - Negative
 - Zero
 - All
- Kinds of cost in short run is: (LHR-15-II)
 - Two
 - Three
 - Four
 - Five
- The costs which are directly related to output: (LHR-16-I) (AJK-15) (SGD-17)
 - Fixed cost
 - Variable cost
 - Total cost
 - Marginal cost

4. The costs which the firm has to bear in every condition in the short period are called: (DGK-16)
 (a) Total costs (b) Fixed costs
 (c) Variable costs (d) Marginal costs
5. Reward for factor of production are called: (LHR-17-I, 18-II) (SWL-16, 19) (GRW-17) (SGD-18) (RWP-19)
 (a) Cost of production
 (b) Variable cost
 (c) Fixed cost
 (d) Average variable cost
6. At optimum combination of factors, the cost of firm is: (FSD-14) (SGD-14) (DGK-16) (RWP-16) (GRW-18)
 (a) Maximum (b) Minimum
 (c) Reasonable (d) None
7. Fixed costs are costs of production which: (LHR-14-II)
 (a) Rise with quantity of output
 (b) do not change with any amount of production
 (c) Decline with rising productions
 (d) None
8. The cost that a firm has to bear to produce an extra unit of output are called: (MTN-15)
 (a) Fixed cost (b) Average cost
 (c) Total cost (d) Marginal cost
9. The costs which a firm bear only in case of producing commodities: (FSD-18)
 (a) Fixed costs (b) Variable costs
 (c) Total costs (d) Average fixed costs
10. Variable cost are called: (LHR-17-II) (FSD-14) (RWP-18) (AJK-18)
 (a) Direct cost (b) Indirect cost
 (c) Marginal cost (d) total cost
11. The change in total cost for the production of every new unit is called: (GRW-19)
 (a) Total cost (b) Average cost
 (c) Variable cost (d) Marginal cost
12. In short run, fixed cost curve has the tendency: (RWP-16) (FSD-18)
 (a) Parallel to OX (b) Parallel to OY
 (c) Positive (d) Negative
13. Wages of temporary labour is: (LHR-15-I)
 (a) Fixed cost (b) Marginal cost
 (c) Total cost (d) Variable cost
14. Sum of variable and fixed cost is called: (MTN-14, 16) (DGK-15) (AJK-16) (SGD-19)
 (a) Fixed cost (b) Variable cost
 (c) Average cost (d) Total cost
15. When average cost fall, marginal cost is _____ average cost: (LHR-15-I)
 (a) More than (b) Less than
 (c) Equal to (d) A and C
16. Change in total cost is called: (LHR-16-II, 19) (FSD-17) (GRW-19)
 (a) Average fixed cost
 (b) Average cost
 (c) Marginal cost
 (d) Average variable cost
17. Average fixed, with increase in out put are: (RWP-16)
 (a) Increased (b) Decreased
 (c) Constant (d) Zero
18. Marginal cost curve cuts average cost curve when average costs are: (GRW-15) (BWP-15)
 (a) Maximum (b) Minimum
 (c) Increasing (d) Decreasing
19. If Average cost curves is falling the marginal cost curve remains: (FSD-15)
 (a) Declined (b) Remains up ward
 (c) Horizontal (d) Vertical
20. In monopoly, Average cost curve is: (BWP-17)
 (a) Negative (b) U-shaped
 (c) L-shaped (d) None
21. Change in total revenue is called: (LHR-18-I)
 (a) Average revenue
 (b) Marginal revenue
 (c) Average fixed revenue
 (d) Average variable revenue
22. Method to find total revenue is: (BWP-17)
 (a) $P \times Q$ (b) $P \times AC$
 (c) $AC \times Q$ (d) TC/Q
23. Average revenue is equal to: (DGK-14) (BWP-14) (RWP-16)
 (a) Price (b) Total revenue
 (c) Marginal revenue (d) Average cost

24. When price, average revenue and marginal revenue are same, the market is called: (GRW-14)

- (a) Monopoly
(b) Perfect competition
(c) Monopolistic competition
(d) Oligopoly

25. In perfect competition the average revenue curve is: (LHR-14-II, 15-I)

- (a) Vertical (b) Horizontal
(c) Rising (d) Declining

26. In monopoly average revenue curve remains the marginal revenue curve: (LHR-14-I) (FSD-14)

- (a) Below (b) Above (c) Parallel (d) None

27. In monopoly, when total revenue of a firm is maximum, then marginal revenue is: (RWP-16)

- (a) Positive (b) Negative
(c) Zero (d) Decreasing

ANSWERS

1. b	2. a	3. b	4. b	5. a
6. b	7. c	8. d	9. b	10. a
11. d	12. a	13. d	14. d	15. b
16. c	17. b	18. b	19. a	20. b
21. b	22. a	23. a	24. b	25. b
26. b	27. c			

SECTION – II

SHORT QUESTIONS ANSWERS

1. What is a firm? (LHR-14-I) (BWP-15)

(SWL-15) (AJK-16) (DGK-17) (SGD-17)
(FSD-18, 19) (GRW-17, 19) (RWP-19)

Ans: Firm is an organizing unit which controls a business. Firm's functions expand from establishing business to getting profit. The examples of firm are Bata Shoes Company, Philips Electrical Company, Lever Brothers of Pakistan Limited etc.

2. What is meant by cost of production of firm. (LHR-14-I, 19) (BWP-16, 17) (AJK-17)

(MTN-17) (GRW-16, 18)

Ans: The amount of money which a firm spends on producing a certain quantity of a commodity is called costs of production of the firm.

3. What is meant by implicit cost?

(LHR-14-II) (BWP-14)

Ans: Implicit costs are the costs of firm's self owned and self employed factors. Remunerations included in implicit costs are not paid by the firm to any other person. In implicit costs, wages of labour of firm's owner, interest of his own capital, rent of his own building and depreciation allowance of capital etc. are included.

4. What is meant by explicit cost?

(SWL-14) (DGK-15) (AJK-15)

Ans: Payments made by the firm for the hired factors or the amounts paid for the various purchased materials and other resources are called explicit costs. Wages paid to the workers, rents paid for the hired building, payment made for the purchase of raw material, electricity and transportation etc are included in these costs.

5. What is meant by opportunity cost.

(FSD-15, 19) (DGK-15) (BWP-16) (SGD-18)
(RWP-17, 19)

Ans: Opportunity cost means the amounts of money which are necessarily paid to a factor of production from an alternative use to a specific use.

6. What are fixed costs? (LHR-15-II)

(MTN-14) (RWP-14) (DGK-16) (SGD-16)
(SWL-17) (MTN-18)

Ans: Fixed costs mean the costs which a firm has to bear in every condition. Fixed costs are also called supplementary costs or indirect costs. These costs have no connection with quantity of output. So they remain equal on every quantity of output. The rent of building of the factory, interest of capital, and wages of permanent staff are included in these costs.

7. What is meant by variable factor of production? (LHR-16-I) (GRW-18) (FSD-17)

(DGK-17) (AJK-18) (SGD-18, 19)

Ans: The factor of production that keeps on changing with increase or decrease in the output is called variable factor of production.

8. Explain variable cost. (FSD-14) (SGD-14)

(GRW-15) (MTN-15) (BWP-14, 16) (DGK-16)
(AJK-14, 18)

Ans: The costs which depend on the quantity of output and they increase with the increase

in output and decrease with the decrease in output, are called variable costs. If the firm has temporarily closed down its plant (in other words its output is zero) these costs are also zero. Wages of temporary labour, costs of transportation and expenditure on electricity are included in these costs.

9. Name to types of cost of production.
(LHR-16-I) (AJK-16)

Ans: Fixed Cost and Variable cost.

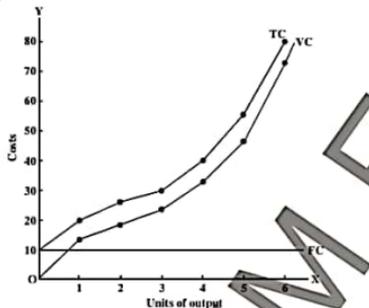
10. What is meant by Total Cost? (FSD-18)
(AJK-16) (SWL-16) (SGD-19)

Ans: In short period, total costs are equal to the sum of fixed costs and variable costs.

$$\text{Total Costs} = \text{Fixed Costs} + \text{Variable Costs}$$

11. Draw Fixed cost and Variable cost curves.
(BWP-18)

Ans:



12. What is meant by average fixed cost
(LHR-15-I, 18-II) (RWP-15) (FSD-16)
(SGD-15, 17) (DGK-17, 19)

Ans: Average fixed cost means per unit fixed cost of output. To know average fixed cost, total fixed costs are divided by total output produced.

$$\text{Average Fixed cost} = \frac{\text{Total fixed costs}}{\text{Total output}}$$

13. What is meant by Average variable cost.
(LHR-14-II) (GRW-14) (AJK-14, 17, 18)
(BWP-18)

Ans: Average variable cost means per unit variable cost of output. To know average variable cost, total variable costs are divided by total output produced.

$$\text{Average variable cost} = \frac{\text{Total variable cost}}{\text{total output}}$$

14. Define marginal cost. (LHR-18-I) (FSD-17)
(MTN-16, 19) (SWL-18, 19) (RWP-18)
(GRW-19) (SGD-19)

Ans: The cost that firm incurs on producing an extra unit of output is called marginal costs.

15. Describe relationship of average and marginal cost.
(LHR-15,16-II)

Ans: The following inter-relationship exists between average cost and marginal cost :-

- When average cost falls, marginal cost is less than average cost.
- When average cost is at the lowest level, marginal cost is equal to average cost.
- When average cost rises, marginal cost is more than average cost.

16. What is meant by Average cost.

(AJK-15) (MTN-17) (SWL-18) (FSD-18)

Ans: Average total cost or average cost means per unit cost of output. To know average total cost, total costs are divided by total output produced.

$$\text{Average total cost} = \frac{\text{Total costs}}{\text{Total output}}$$

17. How does envelop curve derive?

(LHR-17-I)

Ans: It is derived by the summation of short run AC curves.

18. Differentiate between long run and short run marginal cost.
(LHR-17-II)

Ans: In long run, marginal cost is many times higher than short run marginal cost.

19. What is meant by total revenue?

(LHR-19) (DGK-15) (AJK-18) (MTN-15, 16)
(BWP-17) (FSD-17) (SWL-17) (SGD-14, 18)

Ans: The amount of money which firm gets by selling its total output, is called total revenue. For example, if a firm sells 100 meters of cloth at price Rs.10 per meter, it will get 1000 rupees. This amount will be total revenue of the firm.

20. What is marginal revenue? (GRW-16, 18)
(LHR-15-I, 14, 16, 17 - II) (MTN-14) (FSD-15)
(RWP-15) (AJK-17)

Ans: Marginal revenue is the amount of money which a firm obtains by selling an additional unit of output. For example if a

firm gets total 1000 rupees by selling 100 meters of cloth and it gets 1008 rupees by the sale of 101 meters of cloth, then marginal revenue will be 8 rupees.

21. What is meant by average revenue?

(LHR-18-I) (SGD-18) (MTN-18, 19) (AJK-18)

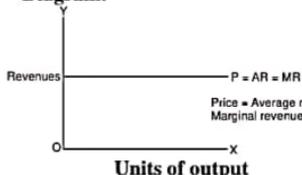
Ans: Per unit revenue of a firm by selling its product is called average revenue.

22. Draw curve of Average Revenue and marginal revenue under perfect competition. (LHR-14, 15-II) (SGD-14)

(BWP-15) (SWL-15, 16) (RWP-16) (DGK-19)

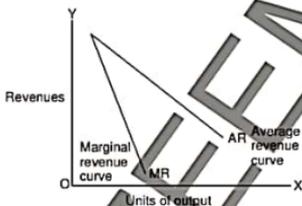
Ans: Under perfect competition, average revenue and marginal revenue are equal. Therefore, they are shown with the same curve which is parallel to ox axis

Diagram:



23. Draw Average and marginal revenue curves under monopoly. (LHR-15, 16-I) (BWP-14) (MTN-17) (RWP-16, 17) (GRW-18)

Ans:



24. What is meant by short period?

(LHR-18-II) (MTN-14) (FSD-14) (GRW-14, 15, 17) (RWP-15, 16, 17) (AJK-14, 16, 17) (SWL-18)

Ans: Short period means the period of time in which a firm cannot change its size. In other words firm cannot change the size of its factory and number of installed machines. We can say that its productive capacity is fixed.

25. What is meant by long run. (RWP-19) (AJK-14) (BWP-15) (SWL-15) (SGD-16) (MTN-17) (FSD-15, 16, 18)

Ans: Long run refers to time period in which a firm can change its fixed costs also along with variable cost.

SECTION – III

LONG QUESTIONS

1. State relationship between average cost curve and marginal cost curves of a firm. (GRW-16)
2. Draw marginal cost curve of long run. (GRW-14)

CHAPTER-7

PRICE AND OUTPUT DETERMINATION

SECTION – I

MULTIPLE CHOICE QUESTIONS

1. Number of firms under perfect competition is: (RWP-17) (GRW-18) (MTN-15, 19) (SWL-18)
 - (a) 1
 - (b) 2
 - (c) 3
 - (d) Unlimited
2. The entry of firms in market under perfect competition is: (GRW-19)
 - (a) Free
 - (b) Prohibitive
 - (c) Conditional
 - (d) By the permission of Govt.
3. Under perfect competition the demand for good is: (GRW-17)
 - (a) Less elastic
 - (b) More elastic
 - (c) perfectly elastic
 - (d) Inelastic
4. Under perfect competition when TR and TC of firm are equal to earns: (GRW-15) (FSD-14) (MTN-14)
 - (a) Abnormal Profit
 - (b) Normal Profit
 - (c) Zero Profit
 - (d) Normal loss
5. A firm is in equilibrium where: (LHR-15, 18-I) (DGK-15) (BWP-14, 16) (AJK-16, 18) (SGD-16, 17, 18, 19)
 - (a) $MC = AR$
 - (b) $MC = MK$
 - (c) $MC = AC$
 - (d) $MC = AVC$

6. A firm in order to earn profit, keep its minimum: (LHR-14-I)
 (a) Revenue (b) Cost
 (c) Demand (d) Supply
7. Perfect competition is completely opposite to: (LHR-17-I, 18-II) (SWL-16) (MTN-16) (GRW-16,17) (AJK-17) (FSD-17)
 (a) Monopoly
 (b) Monopolistic competition
 (c) Duopoly
 (d) Oligopoly
8. A firm earns maximum profit at: (LHR-17-II)
 (a) $AC = MR$ (b) $MR = MC$
 (c) $AC = AR$ (d) $MC = AR$
9. In perfect competition, under long run a firm usually earn: (DGK-16) (BWP-15, 17, 18) (FSD-17)
 (a) Abnormal profit (b) Abnormal loss
 (c) Normal profit (d) Normal loss
10. Under perfect competition, industry would be in equilibrium when each firm of industry is earning: (FSD-15)
 (a) Abnormal profit (b) Normal profit
 (c) Normal loss (d) Abnormal loss
11. When AFC are partly and AVC are completely born by firm its earns: (GRW-14)
 (a) Abnormal profit (b) Normal profit
 (c) Total loss (d) Partial loss
12. Monopoly is completely opposite to: (DGK-14) (FSD-15, 18) (BWP-16) (SGD-14, 16) (AJK-17)
 (a) Perfect Competition
 (b) Imperfect competition
 (c) a, b both (d) Oligopoly
13. Shut down point appears, when: (AJK-17)
 (a) $AVC = AR$ (b) $AVC > AR$
 (c) $AVC < AR$ (d) $AC = AR$
14. A monopolist has control over supply: (AJK-16) (GRW-18) (RWP-19) (FSD-19)
 (a) Partial (b) Complete
 (c) More (d) Very large
15. A monopolist firm has control over: (LHR-14-II) (BWP-15)
 (a) All of supply of market is with one firm
 (b) All supply of market is with two firm
 (c) All supply of market is with few firms
 (d) None
16. Monopoly can also be called: (LHR-16-I)
 (a) Perfect competition
 (b) Imperfect competition
 (c) Competition (d) None
17. Close substitute of good is not available in: (LHR-17-II) (GRW-17) (AJK-17)
 (a) Perfect competition
 (b) Monopoly (c) Duopoly
 (d) Oligopoly
18. A monopolist firm normally earns: (LHR-18-I) (AJK-14) (GRW-16) (RWP-14, 17) (SWL-16, 18) (MTN-17, 18)
 (a) Normal profit (b) Abnormal profit
 (c) Loss (d) Abnormal loss
19. Under monopoly, the entry of new firm is: (DGK-17)
 (a) Free (b) Restricted
 (c) Conditional
 (d) By per mission of Govt.
20. Number of firms under monopoly: (GRW-17) (BWP-18) (MTN-18) (AJK-15, 18)
 (a) One (b) Two (c) Three (d) Four
21. Under monopoly when does a firm earns abnormal profit: (DGK-15) (MTN-15)
 (a) Short run (b) Long run
 (c) Both (d) None

ANSWERS

1. d	2. a	3. c	4. b	5. b
6. b	7. a	8. a	9. c	10. d
11. d	12. a	13. a	14. b	15. a
16. d	17. b	18. b	19. b	20. a
21. b				

SECTION – II

SHORT QUESTIONS ANSWERS

1. Write four conditions of perfect competition. (LHR-14,17-II) (DGK-14) (RWP-15) (BWP-16) (SGD-14, 17) (GRW-14, 18) (AJK-14, 15, 18) (MTN-15, 16, 18, 19) (SWL-18)
- Ans: (i) There should be large number of buyers and sellers.
 (ii) Commodity should be homogeneous.
 (iii) Buyers and sellers should be aware of the conditions of the market.

- (iv) There should be free entry and exit in the market.
 (v) There should be perfect mobility in factors of production.

2. Write conditions of pure competition.

(LHR-15-II) (RWP-19)

Ans: Pure competition: If in a market following two conditions exist, then it is said that there exists pure competition in that market.

- (i) There are large number of buyer and seller in the market and no buyer or seller can influence the price by his individual action.
 (ii) All the units of the commodity are homogeneous.

3. Write difference between pure and perfect competition. (FSD-14) (RWP-16)

Ans: Pure competition: If in a market following two conditions exist, then it is said that there exists pure competition in that market.

- (i) There are large number of buyer and seller in the market and no buyer or seller can influence the price by his individual action.
 (ii) All the units of the commodity are homogeneous.

Perfect competition:

If in a market, in addition to the above mentioned conditions, the following conditions also exist, then it is said that there exists perfect competition in that market.

- (i) There is free entry and exit of the firms in the market.
 (ii) Buyers and sellers are having perfect knowledge about the conditions of the market.
 (iii) Factors of production are perfectly mobile.

4. When a firm is in equilibrium?

(LHR-14-II) (FSD-14, 19) (GRW-15) (DGK-15)
 (SWL-17, 19) (AJK-15, 18) (DGK-19)

Ans: A firm is said to be in equilibrium when its marginal cost is equal to its marginal revenue i.e. $MC=MR$. In this situation firm's profit is maximum.

5. What are the conditions of equilibrium of firm under marginalistic approach.

(LHR-17-I)

Ans: A firm is said to be in equilibrium when its marginal cost is equal to its marginal revenue i.e. $MC=MR$. In this situation firm's profit is maximum.

6. Under perfect competition, A firm is in equilibrium at what conditions is short run. (LHR-15-I, 16, 17-II, 19) (FSD-14)

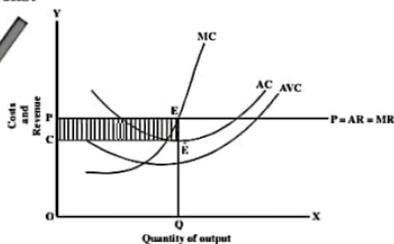
(SWL-15) (RWP-18) (DGK-16) (AJK-14, 18)
 (MTN-14, 15, 18) (GRW-18)

Ans: There are two conditions of equilibrium of a firm under perfect competition in the short run.

- (i) Firm's marginal cost (MC) is equal to its marginal revenue.
 (ii) Marginal cost curve must intersect marginal revenue curve from below.

7. Draw diagram of Abnormal profit under perfect competition. (LHR-14-II) (FSD-16)

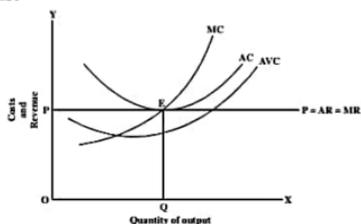
Ans:



8. Draw diagram of firm earning normal profit under perfect competition.

(LHR-16-I) (AJK-17)

Ans:



9. Describe different forms of firm's equilibrium under perfect competition during short run. (LHR-17-I) (DGK-17) (GRW-17) (RWP-18)

Ans: There may be four situations of firm's equilibrium under perfect competition in the short run.

- Firm is earning super normal profit.
- Firm is earning normal profit.
- Firm bears minimum loss (firm is covering variable cost wholly and it is covering fixed cost partially.)
- Shut down situation of the factory. (Firm is covering only its variable costs and facing losses equal to fixed costs.)

10. State conditions for equilibrium of a firm under perfect competition in long run. (SGD-14, 15) (FSD-16) (MTN-16)

- Ans:** (a) $Mc = MR$
 (b) Mc curve cuts mR curve from below
 (c) $AC = AR$

11. What a firm in long run under perfect competition earns. (AJK-16) (SGD-18)

Ans: A firm in long run under perfect competition earns normal profit.

12. When does a firm earn normal profit under perfect competition. (LHR-14-I) (AJK-17) (SWL-18)

Ans: When a firm's under perfect competition covers its cost of production, only it earns normal profit.

13. What is meant by equilibrium of industry. (LHR-15, 16-I, 18-II) (FSD-15) (DGK-15, 17) (MTN-14, 17, 19) (RWP-16, 17) (AJK-16, 17, 18) (BWP-18) (GRW-16, 17, 19)

Ans: When in an industry all the existing firms earn just normal profit. There is no possibility of any existing firms to leave the industry and no new firm will like to enter that industry. Then it is called equilibrium of an industry.

14. Define Normal profit. (LHR-16, 18-II, 19) (GRW-14, 15) (RWP-15) (FSD-17) (BWP-17, 18) (AJK-15, 16, 17, 18) (SGD-17, 18, 19) (MTN-19)

Ans: The level of profit which is just sufficient to induce a firm to remain in an industry, is called normal profit. It is equal to the

remuneration of firm's entrepreneur which he can get as a manager of another firm instead of starting his own business.

15. What is meant by Abnormal Profit?

(LHR-14-II, 15, 18-I) (GRW-14) (SGD-14) (MTN-15) (FSD-14, 15) (SWL-13, 17, 19) (AJK-17) (GRW-14, 19) (BWP-17)

Ans: If a firm is earning more profit than normal profit, economists call this profit super normal profit. In fact this super normal profit is the profit of the firm because economists include normal profit in costs of production.

16. Differentiate between normal and abnormal loss. (LHR-17-II) (DGK-15) (AJK-16) (BWP-16)

Ans: Normal Loss: In this situation, firm is covering its all variable costs and also covering some part of fixed costs and bears some part of fixed costs as loss. Such firm continues producing.

Abnormal Loss: It is situation of firm's equilibrium in which price is equal to firm's average variable cost. It means only variable costs are covered and firm's loss is equal to total fixed costs.

17. Define monopoly. (LHR-14, 16-I, 16, 17-II, 19) (SGD-14, 15, 16) (SWL-16) (BWP-14, 15, 16, 17) (GRW-14, 15, 18) (FSD-16, 18) (AJK-15, 17, 18) (MTN-15, 17, 18) (RWP-14, 16, 19)

Ans: Monopoly is that situation of market, in which a certain good is being produced by a single firm and no close substitute of this good is available in the market. For example, WAPDA has monopoly over the production and supply of electricity in Pakistan.

18. When does a monopolistic firm reduces its price. (LHR-14, 18-II, 19) (GRW-17) (AJK-15) (DGK-17) (SGD-19) (MTN-19)

Ans: Monopolist Firm lowers down the price of its commodity when it wants to increase its sale.

19. Name two monopolies in Pakistan. (FSD-17)

- Ans:** (a) WAPDA
 (b) State Bank of Pakistan.

20. Why the slope of demand curve under Monopoly is negative? (LHR-19)

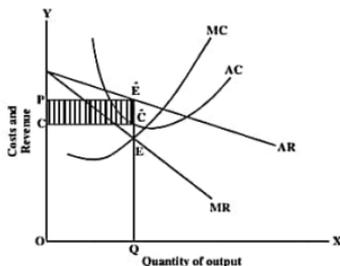
(BWP-16) (SGD-19) (FSD-19)

Ans: Monopolist himself determines the price of his goods and he has to decrease price to increase the sale of his goods.

21. Draw diagram of firm earning abnormal profit under monopoly. (LHR-15-II)

(AJK-15) (FSD-16) (BWP-15, 16) (RWP-17, 18) (SWL-19)

Ans:



SECTION – III

LONG QUESTIONS

- What is meant by perfect competition? State its conditions. (FSD-14) (SGD-18)
- Explain equilibrium of firm in short run under perfect competition. (LHR-16-II) (SGD-15) (SWL-17) (RWP-17) (AJK-17) (BWP-18) (GRW-19)
- Explain equilibrium of industry under perfect competition. (LHR-17-II) (FSD-19)
- What is Monopoly? How price and output is determined under monopoly? (LHR-14-II) (MTN-14) (BWP-15) (DGK-16) (GRW-15, 17) (FSD-18) (AJK-18)
- Explain the equilibrium of firm under Monopoly. (BWP-16)
- Compare competitive equilibrium and monopolistic equilibrium. (AJK-16)



CHAPTER - 8

NATIONAL INCOME

SECTION – I

MULTIPLE CHOICE QUESTIONS

- National income means, the total-product during a year: (LHR-14-II)
 - Agricultural
 - Industrial
 - Ocean and minerals
 - All goods and services
- If depreciation is deducted from Gross National Product, we get: (LHR-18-I) (DGK-15) (FSD-18)
 - NNP
 - PI
 - DPI
 - GDP
- Concept of National Income was presented by: (FSD-17)
 - Marshall
 - Keynes
 - Pigou
 - Adam Smith
- Which of the following is not included in National Income: (BWP-17)
 - Profit
 - Wages
 - Interest
 - Transfer payments
- Transfer payments are included in: (AJK-14, 17)
 - Gross Domestic Product
 - Gross National Product
 - Personal Income
 - National Income
- Are added in National Income: (BWP-14) (MTN-17)
 - Depreciation allowance
 - Subsidies
 - Indirect tax
 - All
- Wear and tear expenses of machines are known as: (MTN-14) (AJK-15) (SGD-15)
 - Non- Productive Expenses
 - Productive Expenses
 - Rewards
 - Depreciation Expenses
- The Gross National Product includes: (BWP-18)
 - Domestic Production
 - Foreign Production
 - Agricultural Production
 - Domestic and Foreign Production

- 9. Expenses of wear and tear of goods are called:** (LHR-19) (SGD-17) (GRW-18, 19)
- Depreciation allowance
 - Total expenses
 - Marginal expenses
 - Fixed cost
- 10. Amount which is not a reward of any labour is called:** (RWP-18)
- Real income
 - Per capita income
 - Personal payment
 - Transfer payment
- 11. The income which a person can use as he likes, is called:** (LHR-15-II) (RWP-17)
- Personal income
 - Disposable personal income
 - Pure income
 - Per capita income
- 12. Deduction of direct taxes from personal incomes becomes:** (BWP-15) (SGD-16, 19) (DGK-19)
- National Income
 - Disposable Personal Income
 - Per Capita Income
 - Personal Income
- 13. Income which a person can use by his will:** (RWP-19)
- Personal income
 - Disposable personal income
 - Net income
 - Per capital income
- 14. When National Income is divided by population, we get:** (LHR-16-I) (GRW-14) (BWP-16) (SWL-17) (DGK-17)
- Disposable personal income
 - Real income
 - Per capita income
 - Personal income
- 15. Per capita income means:** (LHR-17-I) (MTN-16) (GRW-16,17) (SWL-16,18)
- Average income
 - Total income
 - Personal income
 - Domestic income
- 16. Transfer payments are:** (LHR-17-II) (FSD-15)
- Wages
 - Salaries
 - Prices
 - Unemployment Allowance
- 17. Time period of measurement of National Income is:** (GRW-15) (AJK-16,18)
- 6 months
 - 3 years
 - 4 years
 - 1 year

- 18. Methods to measure National Income are:** (LHR-18-II) (AJK-16) (BWP-16) (MTN-18) (SWL-19)
- One
 - Two
 - Three
 - Four
- 19. Important elements of circular flow of National income are:** (FSD-16)
- House holds
 - Business concerns
 - Both a, b
 - Industrialists
- 20. The equilibrium of National Income is where:** (LHR-15-I) (AJK-18)
- $Q_d = Q_s$
 - $mR = mC$
 - $S = I$
 - $TR = TC$
- 21. The equilibrium level of national income is at point where:** (LHR-14-I) (MTN-15) (RWP-16)
- Consumption = Saving
 - Consumption = Investment
 - Income = Saving + Investment
 - Saving = Investment

ANSWERS

1.	d	2.	a	3.	a	4.	d	5.	c
6.	b	7.	d	8.	a	9.	a	10.	d
11.	b	12.	b	13.	b	14.	c	15.	a
16.	d	17.	d	18.	c	19.	c	20.	d
21.	d								

SECTION – II**SHORT QUESTIONS ANSWERS**

- 1 Define national income in the words of Professor Fisher.** (BWP-19)
- Ans:** Quantity of goods and services which is consumed during a year is called national income.
- 2. Define National income in words of Pigou.** (MTN-17)
- Ans:** National income consists of that part of nation's material wealth which can be measured in money terms.
- 3. Define National Income in words of Prof. Marshall.** (AJK-18) (LHR-14-II, 17, 18-I) (SGD-14, 15, 17, 18) (MTN-18)
- Ans:** Individuals if a country produce a certain quantity of goods and services using the resources of the country with the help of their capital. It is called national income.

4. Explain the concept of NNP. (RWP-17) (LHR-14-II, 16-I) (AJK-14) (SGD-15) (SWL-16) (MTN-14, 17, 19) (FSD-16, 18) (GRW-16, 18, 19) (DGK-19)

Ans: If we subtract depreciation allowance or replacement cost of machines from gross national product (G.N.P), we get Net National Product.

5. Define Gross National Product. (FSD-14) (LHR-15, 17 - I, 16, 18-II) (AJK-16, 14, 17, 18) (GRW-14,15) (SWL-15) (BWP-15, 16) (DGK-15, 16, 17)

Ans: Gross National product of a country is the total market value of all final goods and services produced during a period of one year. All agricultural goods, industrial goods, mineral goods and services of individuals, government and semi government institutions are included in it.

6. What is meant by Depreciation Allowance? (LHR-15-I) (SGD-14) (MTN-15) (RWP-14, 18) (AJK-15) (SWL-16) (FSD-16) (BWP-16, 17) (DGK-19)

Ans: We use machines and tools to manufacture goods. These machines often break down during the year owing to wear and tear. We have to repair these machines. The expenditures made on their repair are called depreciation allowance.

7. Explain Gross Domestic product with the help of equation. (LHR-17-II) (FSD-19) (RWP-14) (SGD-16) (AJK-16, 17) (BWP-18)

Ans: Total market value of all final goods and services Produced within a country during a year is called gross domestic product. Thus when we subtract net foreign income from gross national product, we get gross domestic product.

$$G.D.P = G.N.P - F.I$$

8. What is Subsidy? (LHR-19) (AJK-14, 15) (SWL-17, 18) (FSD-18) (BWP-18) (RWP-14, 19) (GRW-16, 19) (MTN-19)

Ans: Sometimes government wants to provide some goods to the public at a lower Price than market Price. The government purchases them at higher price and sells at a low price to the public at utility stores and Cooperative stores. It means some part

of the price of these goods is paid by the government, it is called Subsidy. For example, if government purchases flour at Rs 10/-per kg and sells it at Rs 8/- per kg, then subsidy will be Rs 2/-per kg.

9. Define Personal Income. (LHR-15-II, 19) (RWP-14, 16) (MTN-14, 18) (DGK-16) (BWP-16) (SGD-17, 19)

Ans: It is the income which a person individually earns in a year. For example, a lawyer earns 10 lacs in a year, it is his personal income. Transfer payments and indirect taxes are included in personal income.

10. Define Disposable personal income. (GRW-14) (FSD-17, 18) (MTN-17) (SWL-19)

Ans: If we deduct direct taxes from personal income we get disposable personal income. Which a person can spent as he likes.

11. What is meant by transfer payments? (LHR-16-II, 18-II) (FSD-14, 15, 19) (MTN-15, 16) (SWL-15, 17) (AJK-16, 17, 18) (GRW-18) (SGD-14, 19) (BWP-14, 15)

Ans: Transfer payments are the amounts of money which a person gets without labour. These are donations, alms, pension, unemployment allowance, scholarship and gifts etc.

12. Define per capita income. (GRW-15,17) (SGD-18) (RWP-18) (SWL-19)

Ans: Average income is called per capita income, when national income is divided by population then we get per capita income.

13. What is difference between Real and Nominal Income? (LHR-14-I)

Ans: Real national income means total quantity of goods and services produced in a country. Therefore, real national income increases with the increase in the quantity of goods and services in the country while nominal national income means monetary value of goods and services at the market prices.

14. State income method to measure National Income. (LHR-15-II)

Ans: If annual monetary rewards of all the factors of production are added up then total will be equal to national income.

National income = Rent of land + Wages of labour + Interest of capital + Profit of entrepreneurs.

The following rewards are included in national income:

- (i) All wages, salaries and other monetary rewards received by employees of government, autonomous and private institutions and domestic servants.
- (ii) Incomes of farmers, traders, lawyers, doctors and the labour working on daily wages.
- (iii) All kinds of interest on bonds, securities and loans.
- (iv) Rent of lands, rent of buildings and royalty.
- (v) Corporate profit distributed among share-holders.
- (vi) Undistributed corporate profit which is not distributed among share-holders and corporate profit tax paid to the government.

15. What is meant by double counting while measuring national income? (SWL-18)

Ans: It should be carefully observed that while counting the value of goods, their value should only be counted once, otherwise estimation of national income would be wrong.

16. Name methods to measure National income. (FSD-15) (AJK-15) (MTN-16)

Ans: (i) Product method
(ii) Income method
(iii) Expenditure method

17. Write four precaution to measure national income. (MTN-16) (DGK-16)

Ans: (i) Avoid Double counting.
(ii) Deducting depreciation allowance.
(iii) Deducting Indirect Taxes.
(iv) Inclusion of Subsidies.

18. What is meant by circular flow of National Income? (LHR-14,16-I, 17-II) (RWP-17) (SWL-16) (FSD-17) (AJK-14, 17) (DGK-17)

Ans: Circulation of national income between households and firms is called circular flow of national income.

SECTION – III

LONG QUESTIONS

1. State different concepts of national income. (GRW-16) (RWP-17) (AJK-17) (FSD-14, 16, 18) (MTN-18)
2. Explain circular flow of national income with the help of diagram. (LHR-15-I) (GRW-14) (MTN-15) (RWP-15) (BWP-16) (DGK-17) (AJK-18)
3. Write methods to measure national income. (LHR-16-II, 17-I) (DGK-16) (AJK-15, 16, 17) (GRW-18) (SGD-15, 19)
4. Write expenditure method to measure national income along with precautions. (FSD-17) (SGD-18) (DGK-19)

CHAPTER-9

MONEY & VALUE OF MONEY

SECTION – I

MULTIPLE CHOICE QUESTIONS

1. "Money is what money does" this definition was given by: (FSD-16)
 - (a) Prof. Walker
 - (b) Prof. Marshall
 - (c) Prof. Crowther
 - (d) Prof. Pigou
2. Kinds of money are: (BWP-14) (SWL-15) (AJK-15)
 - (a) 3
 - (b) 5
 - (c) 4
 - (d) 7
3. The type of money whose face and actual value are same is called: (MTN-14, 15) (SGD-16) (DGK-16)
 - (a) Token money
 - (b) Standard money
 - (c) Paper money
 - (d) Credit money
4. The metallic money whose face value is greater than its actual value: (MTN-14) (SGD-17) (AJK-17)
 - (a) Standard metallic money
 - (b) Paper money
 - (c) Token money
 - (d) Near money
5. All coins in Pakistan are: (SWL-16) (MTN-18) (BWP-18)
 - (a) Paper money
 - (b) Token money
 - (c) Standard money
 - (d) Near money
6. Paper money is issued by: (LHR-16-I)
 - (a) Habib bank Ltd
 - (b) Muslim commercial bank
 - (c) Allied bank Ltd
 - (d) State bank of Pakistan

7. Type of money in which payment can be made upto a certain limit, is: (FSD-15)
 (a) unlimited legal tender
 (b) limited legal tender
 (c) metallic money
 (d) paper money
8. Convertible paper money is issued by: (FSD-18)
 (a) Central Bank (b) Commercial Bank
 (c) Industrial Bank (d) Agricultural Bank
9. Two rupee coin is: (BWP-16) (SWL-17)
 (a) Token money (b) Standard money
 (c) Paper money (d) Rear money
10. Cheque is _____ money: (SWL-19)
 (LHR-16, 18-II, 19) (AJK-16) (SGD-18, 19)
 (a) legal (b) credit (c) paper (d) near
11. Who presented Quantity Theory of Money: (LHR-16-I,II)
 (a) Robbins (b) Marshall
 (c) Fisher (d) Ricardo
12. Relation of value of money with quantity of money is: (LHR-15-I) (GRW-14)
 (a) direct (b) indirect
 (c) inverse (d) positive
13. Value of money decreases in: (GRW-16) (MTN-17) (SWL-18)
 (a) Inflation (b) Deflation
 (c) Monopoly (d) Perfect
14. Relationship of prices and quantity of money: (AJK-18)
 (a) Positive (b) Negative
 (c) Indirect (d) Inverse
15. Purchasing power of money is called: (LHR-18-I) (FSD-17) (GRW-17, 18, 19)
 (a) Quantity of money (b) Value of money
 (c) Money device (d) Credit money
16. According to quantity theory of money, If Quantity of money is doubled, then value of money will be: (FSD-14)
 (a) same (b) increase
 (c) decrease (d) half
17. Who criticized quantity theory of money: (LHR-14-I)
 (a) Keynes (b) Marshall
 (c) Pigou (d) Both a, b
18. Equation of Quantity Theory was presented by Fisher in: (RWP-16) (AJK-14, 17)
 (a) 1911 (b) 1915 (c) 1918 (d) 1905
19. Tendency of rising prices is called: OR
 The rising trend of prices is called: (LHR-17-II) (DGK-17) (FSD-19)
 (a) Inflation (b) Deflation
 (c) Circulation of money (d) Quantity of money
20. Which is best budget in case of inflation: (FSD-16)
 (a) Deficit (b) Surplus
 (c) Balanced (d) Domestic
21. During inflation, value of money: (GRW-14) (MTN-19)
 (a) decrease (b) increase
 (c) zero (d) infinite
22. Inflation is beneficial for: (BWP-15)
 (a) labour (b) consumer
 (c) industrialist (d) pensioner
23. Inflation is not beneficial for: (RWP-19)
 (a) Salaried persons (b) Traders
 (c) Industrialist (d) Government
24. IMF was established in: (LHR-15-II) (MTN-14) (FSD-15) (GRW-15)
 (a) 1941 (b) 1944 (c) 1945 (d) 1947

ANSWERS

1. a	2. d	3. b	4. c	5. b
6. d	7. b	8. a	9. a	10. b
11. c	12. c	13. a	14. a	15. b
16. d	17. d	18. a	19. a	20. a
21. a	22. c	23. a	24. c	

SECTION – II

SHORT QUESTIONS ANSWERS

1. Write stages of evolution of money. (AJK-17)
 Ans: Following are the stages of evolution of money.
 (1) Commodity money.
 (2) Metallic money.
 (3) Paper money.
 (4) Credit money.

2. **Define Money.** (LHR-14,15-II) (FSD-15,16) (DGK-17) (GRW-17) (AJK-14, 18)

Ans: Anything which is generally accepted as a medium of exchange and also performs functions of a standard of value and a store of value is money.

3. **Define Money in words of Crowther.** (LHR-17-I) (SGD-15) (MTN-18)

Ans: Anything which is generally accepted as a medium of exchange and also performs functions of a standard of value and a store of value is money.

4. **What is meant by Metallic money?** (LHR-15-I) (BWP-14) (DGK-15) (MTN-15, 17) (RWP-19)

Ans: Money that is made of some metal e.g., gold, silver, copper or brass etc is called metallic money. This money consists of metallic coins which circulate throughout the country as money.

5. **Explain Token money with an example.** (LHR-17-II) (FSD-14) (RWP-15) (SWL-15) (AJK-14, 16) (SGD-14, 15, 19)

Ans: It is the metallic coin whose face value is greater than its intrinsic value. In the present age, Token money is being used in all countries of the world.

6. **Write functions of money.** (SGD-18) (SWL-18)

Ans: (i) Medium of exchange
(ii) Measurement of value
(iii) Store of value
(iv) Unit of account
(v) Source of Govt. receipts and payments

7. **What is meant by Paper money?** (LHR-14-I) (SWL-18)

Ans: Paper money means notes made of paper which are issued by the government or by the central bank of the country. The notes are legal tender money. The notes are accepted in general business dealings as medium of exchange.

8. **Define legal Tender money.** (LHR-17-I) (DGK-14) (BWP-14,15) (FSD-17)

Ans: Legal tender money means the money which is legally accepted. The people of a country are bound to accept it in general dealings and payments of loans. The person

who refuses to accept it is a criminal in the eye of law. He is entitled to punishing.

9. **What is Near money?** (LHR-16-II) (MTN-18) (RWP-14, 16) (AJK-14, 16) (SGD-17)

Ans: The money which is not used at once for business dealings but it can be converted in net cash after a little effort, is called near money. Saving deposits, time deposits, deposited in banks, Govt securities, bonds, shares of firms are near money.

10. **Explain unlimited legal tender money.** (MTN-18)

Ans: The kind of money which has no specific extant to be accepted by the people whatever amount of this kind of money may be, it is accepted by every one and no one can refuse it.

11. **Define credit money.** (BWP-16) (DGK-19)

Ans: It is a kind of money which has no legal cover but circulates in the country just because of trust or belief. Cheques, drafts, credit cards and bills of exchange etc., issued by commercial banks are credit money. In case of credit money, net cash is not paid at once but it is promise to pay it in future.

12. **Define Bill of exchange.** (BWP-18)

Ans: An instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to or to the order of a certain person or to the bearer of the instrument, on demand or at a fixed future date.

13. **What is meant by Convertible paper money?** (LHR-15-I) (BWP-17) (MTN-17, 19)

Ans: The paper money which can be converted in standard metallic money e.g., gold, silver, or foreign exchange on demand, is called Convertible paper money. These notes are issued by the central bank of the country.

14. **What is meant by Standard money?** (LHR-16-I, 18-I,II) (GRW-15) (MTN-16) (RWP-16, 17, 18) (BWP-17, 18) (SGD-14, 19) (SWL-19)

Ans: It is the metallic coin whose face value is equal to its intrinsic value. Such coin is also called "Full Bodied coin" one rupee

silver coin used in subcontinent from 1835 to 1893 was full-bodied coin.

15. How value of money is measured?

(LHR-17-II) (DGK-14) (FSD-18)

Ans: Value of money means the purchasing power of money. The value of money can be measured by using the different methods of index numbers.

16. Define Quantity theory of money.

(SGD-19) (MTN-19)

Ans: Double the quantity of money and other things being equal, Prices will be twice as high as before and the value of money one half. Half the quantity of money and other things being equal, prices will be one half of what they were before and the value of money double.

17. Write equation of exchange by Fisher.

(RWP-18)

$$\text{Ans: } P = \frac{MV + M'V'}{T}$$

18. What is meant by Inflation?

(SGD-18) (AJK-15) (RWP-14, 15) (FSD-15, 17, 19)

Ans: A gradual increase in prices of goods is called inflation.

19. Write four causes of inflation.

(GRW-14) (FSD-14) (AJK-15-II) (SWL-17)

- Ans:** (a) Increase in quantity of money.
(b) Increase in demand for goods.
(c) Increase in cost of production.
(d) Increase in population.

20. Write down two methods to control inflation.

(LHR-19)

- Ans:** (1) Increase in bank rate.
(2) Increase in Taxes.

21. Name three types of cheque.

(GRW-18)

- Ans:** (a) Bearer cheque (b) Order cheque
(c) Cross cheque

22. What is Bank rate?

(LHR-16-I) (RWP-14, 17) (AJK-17) (GRW-19)

Ans: The rate at which central bank advances loans to commercial banks is called bank rate.

23. What is Monetary policy?

(LHR-16-I) (AJK-14, 17) (RWP-19) (SWL-19)

Ans: The steps taken by a central bank of a country to control inflation is called monetary policy.

SECTION – III

LONG QUESTIONS

- State functions of money. (LHR-15,18-II) (BWP-14,15) (RWP-16) (MTN-14,16,17) (GRW-17) (SWL-17,18) (AJK-15,18) (FSD-19)
- Explain quantity theory of money. (LHR-17-II) (AJK-14-I) (GRW-15) (SWL-15, 16) (BWP-16)
- Define inflation. Write its disadvantages. (LHR- 14-I)
- State causes of inflation. (LHR-14-II, 19) (FSD-15) (AJK-16-I) (BWP-17) (RWP-18)

CHAPTER-10

TRADE CYCLE

SECTION – I

MULTIPLE CHOICE QUESTIONS

- Economic fluctuation means:** (MTN-17, 19) (BWP-17) (SWL-18) (RWP-18) (SGD-19)
 - Trade cycle
 - International Crises
 - International Trade
 - National Income
- Phases of trade cycle are:** (LHR-16-II, 17-I) (MTN-16) (GRW-17) (SGD-17) (FSD-14,15,18, 19) (AJK-16, 17) (RWP-17) (BWP-16) (SWL-15,17)
 - 2
 - 3
 - 4
 - 5
- During boom:** (DGK-16)
 - Business contracts
 - Unemployment increases
 - Profit decreases
 - Profit increases
- Which phase of trade cycle is good for economy:** (RWP-16) (SGD-18) (GRW-14,19)
 - Depression
 - Recovery
 - Boom
 - Recession
- In which phase of trade cycle, living standard is better:** (DGK-15)
 - Boom
 - Depression
 - Recession
 - Recovery
- During Boom, Income and employment level:** (MTN-15)
 - Increases
 - Decreases
 - High
 - Low

7. **Economy gets prosperity in:** (BWP-14)
(SGD-14) (RWP-16) (AJK-18)
(a) Recession (b) Depression
(c) Boom (d) Recovery
8. **Purchasing power increases in:** (GRW-16)
(a) Depression (b) Boom
(c) Recession (d) Recovery
9. **Economic hardship means:** (LHR-18-II,19)
(SWL-16,17) (GRW-18)
(a) Boom (b) Recursion
(c) Depression (d) Recovery
10. **During depression _____ increases:**
(LHR-15-I)
(a) Unemployment (b) Employment
(c) Profits (d) Production
11. **During which phase of trade cycle employment, Income reach their lowest level:** (LHR-15-II, 18-I) (AJK-14) (MTN-18) (RWP-19)
(a) Depression (b) Recovery
(c) Boom (d) Recursion
12. **During depression, the government prepares _____ budget:** (LHR-17-II)
(AJK-17) (BWP-15,18)
(a) Balanced (b) Surplus
(c) Deficit (d) Unbalanced
13. **During Recession, prices of goods are:**
(FSD-16)
(a) High (b) Low
(c) Start increasing (d) Start decreasing

ANSWERS

1.	a	2.	c	3.	d	4.	c	5.	a
6.	a	7.	c	8.	b	9.	c	10.	a
11.	a	12.	c	13.	d				

SECTION – II**SHORT QUESTIONS ANSWERS**

1. **Define Trade Cycle.** (LHR-14,15-II, 16-I)
(MTN-14) (FSD-15,16, 19) (SWL-16) (RWP-17) (DGK-17)

Ans: A trade cycle is composed of periods of good trade characterized by rising prices, and low rate of unemployment, alternating with periods of bad trade characterised by

falling prices and high rate of unemployment.

2. **Define Trade Cycle in words of Keynes.**
(LHR-17-I)

Ans: A trade cycle is composed of periods of good trade characterized by rising prices, and low rate of unemployment, alternating with periods of bad trade characterised by falling prices and high rate of unemployment.

3. **Write names of different phases of Trade cycle.** (LHR-16,18-II) (RWP-15)

(AJK-16, 14,18) (DGK-15) (MTN-17) (SGD-17) (SWL-17)

Ans: (a) Depression (b) Recovery
(c) Boom (d) Recession

4. **Write four characteristics of trade cycle**
(LHR-14-I) (AJK-15) (BWP-16) (SGD-16,18,19)
(RWP-19) (DGK-19)

Ans: (i) **Identical in duration:-**

Boom or depression in all industries appears almost in the same period.

(ii) **International in nature:-**

All the trade cycles are of international nature.

(iii) **Difference in the degree:-**

There may be difference in the degree of phases of a trade cycle in different sectors of the economy.

(iv) **Regular Intervals:-**

The phases of a trade cycle follow one another by regular intervals.

5. **Write features of Boom.** (LHR-15-I, 17-II)
(SGD-14) (SWL-15) (GRW-14,15,16) (BWP-17)
(AJK-17) (MTN-18) (FSD-18)

Ans: In the phase of boom of trade cycle national out put, incomes of the people, wages, profits, prices, employment and living standard of the people etc all reach at the highest level.

6. **What is meant by Recovery shade of trade cycle.** (LHR-18-I, 19)

Ans: During recovery the demand for goods start rising, because of rising demand production process start increasing. As a result employment, national income and

consumption also start increasing, prices, Rate of interest, production, wages start increasing gradually.

7. **Define Depression.** (FSD-16,17) (AJK-18)
(GRW-17,18,19)

Ans: In the phase of depression of trade cycle level of prices, consumption, income, employment, wages, rate of interest and investment etc reach at the lowest level.

8. **Write measures to control trade cycles.**
(BWP-18)

Ans: (1) Prohibitive measures.
(2) Curative Measures
(a) Monetary Policy.
(b) Fiscal Policy.
(c) International measures.

9. **What is Multiplier.** (RWP-16) (FSD-14)
(MTN-15) (AJK-16-I)

Ans: Multiplier is the number of times the income changes to a given amount of investment during a specific time period. For example, if the income rises to Rs 500/- with the investment of Rs 100/. The value of the multiplier will be 5.

10. **Define Acceleration.** (AJK-17)

Ans: Accelerator is the numerical value of the relation between the change in income and the resulting change in investment. For example, if there is an increase of 100 rupees in consumption with the 100 rupees increase in income and investment of 500 rupees is needed to meet additional consumption. Then accelerator will be 5.

11. **What is meant by Fiscal policy?**
(BWP-15) (MTN-16)

Ans: The policy of government's in come and expenditure is called fiscal policy.

SECTION – III

LONG QUESTIONS

1. Explain phases of trade cycle.
(SWL-15) (FSD-16) (AJK-16-II) (RWP-17)
(GRW-18)



CHAPTER- 11

INTERNATIONAL TRADE

SECTION – I

MULTIPLE CHOICE QUESTIONS

- Among various countries, the trade relation is expressed by: (MTN-18)
 - Domestic trade
 - International relations
 - International trade
 - Imports
- The transaction between two countries is called: (LHR-14-II)
 - International Trade
 - National Trade
 - Companies Trade
 - Domestic Trade
- Foreign exchange is not used in: (LHR-17-II) (FSD-14) (AJK-18-I)
 - Home Trade
 - International Trade
 - Imports
 - International market
- The value and volume of goods and services sent abroad is called: (SGD-18)
 - Imports
 - Exports
 - Foreign Aid
 - Foreign Loan
- Advantage of international trade are: (RWP-16) (SGD-19)
 - One
 - Two
 - Three
 - Uncountable
- Devaluation of foreign value of country's currency, cases exports to: (FSD-16) (BWP-18)
 - Decrease
 - Increase
 - Same
 - Keep changing
- The skill that a man possesses to produce a good is called: (LHR-18-II)
 - Specialization
 - Division of work
 - Ownership
 - Director
- Specialization means: (SWL-16) (MTN-16)
 - Increases in employment
 - Skill to produce
 - Better Technology
 - Special work

9. Recording of visible and invisible item at international level is called: (LHR-19)
(AJK-14-I) (MTN-15)

- (a) Balance of payments
- (b) Balance of Trade
- (c) Balanced Budget
- (d) Foreign Remittances

10. The difference between total receipts and total payments of a country in a year is called: (GRW-19)

- (a) Balance of Trade
- (b) Balance of country
- (c) Balance of Payment
- (d) Inflation

11. Balance of Payment contains: (LHR-15-I)
(GRW-16) (DGK-16) (FSD-17) (RWP-17,19)
(SWL-19)

- (a) Visible Items (b) Invisible Items
- (c) visible and Indivisible items
- (d) None

12. Account of visible items is called: (LHR-16-II) (SGD-15)

- (a) Internal Trade (b) Balance of Trade
- (c) Balance of Payment
- (d) All

13. Balance of trade includes: (LHR-17,18-I)
(SGD-16) (MTN-17) (DGK-17,19) (RWP-18)
(BWP-14)

- (a) Goods (b) Services
- (c) Goods & Services (d) Foreign aid

14. Who presented Absolute advantage theory: (LHR-14-I, 17-II) (RWP-14,15)
(DGK-15) (BWP-16) (AJK-15, 16, 17)
(SWL-17) (FSD-18) (SGD-14,17,19)

- (a) Adam Smith (b) Walker
- (c) Ricardo (d) Marshall

15. A country exports those good which are: (FSD-15)

- (a) Normal
- (b) Comparatively costly
- (c) Comparatively cheap
- (d) Durable

16. comparative cost advantage theory was presented by: (LHR-16-I) (GRW-14) (BWP-17)
(SWL-15,18) (AJK-18)

- (a) Robbins (b) Ricardo
- (c) Keynes (d) Marshall

17. The base of comparative-cost advantage theory of international trade by Ricardeo is: (BWP-15) (FSD-19)

- (a) Absolute Advantage
- (b) Comparative cost
- (c) Cheap costs (d) Less cost

ANSWERS

1. b	2. a	3. a	4. b	5. d
6. b	7. a	8. b	9. a	10. c
11. c	12. b	13. a	14. a	15. c
16. b	17. b			

SECTION – II

SHORT QUESTIONS ANSWERS

1. What is meant by international trade?

(LHR-14,18-II) (BWP-16) (FSD-15,16)

(AJK-14,16,17,18) (SGD-15,17,19) (DGK-19)

Ans: International trade is the trade that takes place between the inhabitants of two countries.

2. What is Home trade? (LHR-15-I)

(FSD-14) (AJK-14-I) (MTN-18, 19) (GRW-18)

Ans: The trade that takes place between the individuals living in the same country is called domestic or national or internal Trade.

3. State the difference between Home and Foreign trade. (LHR-15-II, 16-I)

(BWP-15) (DGK-15) (MTN-16,17) (SWL-19)

Ans: The trade that takes place between the individuals living in the same country is called national or internal trade. Conversely, The trade that takes place among the individuals living in different countries of the world is called international or external trade.

4. Define imports. (AJK-18)

Ans: The imports represent the value and volume of goods and services ordered/purchases from other countries.

5. Define exports. (DGK-16) (FSD-18) (BWP-18)

Ans: The exports represent the value and volume of goods and services sent/sold to other countries.

6. Define Balance of Trade. (LHR-15,16-II)

(GRW-14,15,16) (DGK-16) (BWP-14,15,17)

(SWL-18) (AJK-16, 17) (MTN-17, 19)

(FSD-14,18) (SGD-14,17,18)

Ans: The systematic record of the money value of visible imports and visible exports of a country in one year is called balance of trade.

7. What is meant by surplus BOT?

(MTN-15) (DGK-15) (SWL-17) (RWP-19)

Ans: If value of total visible export is greater than total value of visible imports, such a difference is known as surplus balance of trade.

8. What is meant by deficit Balance of Trade? (MTN-18)

Ans: If the value of visible exports of a country is less than the value of its visible imports then its balance of trade will be deficit or unfavorable.

9. What is meant by balance to payment?

(LHR-14,15,17,18-II) (MTN-14) (FSD-15)

(BWP-16) (SGD-16) (AJK-14,15,16,17,18)

(RWP-14,19) (GRW-19) (DGK-19)

Ans: The systematic record of visible and invisible exports and imports of a country in one year is called balance of payments.

10. What is the difference between Balance of payment and balance of trade.

(LHR-17-II) (AJK-15)

Ans: The systematic record of the money value of visible imports and visible exports of a country in one year is called balance of trade.

The systematic record of visible and invisible exports and imports of a country in one year is called balance of payments.

11. What are visible items? (LHR-16-II)

(AJK-16) (DGK-17) (BWP-18) (SGD-19)

Ans: The goods which can be seen and touched is called visible goods.

12. What are invisible items.

(LHR-18-II) (SGD-14,15) (BWP-17) (RWP-17)

Ans: (a) Reward for services of foreign companies.

(b) Expenses on education in other countries.

(c) Treatment expenses in other countries.

(d) Recreation expenses in other countries.

13. Define exchange rate. (LHR-17-II, 19)

(SWL-15) (GRW-19) (FSD-19)

Ans: The rate / price at which one unit of foreign currency is exchanged with domestic currency and vice versa.

14. Write four methods to remove deficit in balance of payments.

(RWP-16) (GRW-16) (SWL-17)

Ans: (a) Increase in exports.

(b) Decrease in imports

(c) Devaluation of currency

(d) Decrease in quantity of money.

15. Write formula for import and export ratio. (FSD-17) (GRW-18)

Ans: Ratio of Import and export = $\frac{\text{Imports}}{\text{Exports}}$

16. State the purpose of establishing International Monetary fund. (LHR-17-I)

(GRW-14) (MTN-15) (RWP-16) (SGD-16)

Ans: IMF was established to promote economic and financial co-operation among its members and to facilitate balanced growth of world trade.

17. What is meant by protection policy?

(LHR-19) (SWL-16) (FSD-17) (SWL-18) (RWP-18)

Ans: To protect local industries from the competition of foreign industries government implies import duties or fixes quota for the imports. This policy is called protection policy.

18. What is meant by dumping?

(SWL-16) (GRW-19)

Ans: Dumping means selling a commodity at a lower price in other regions of the world than the price charged at home country.

SECTION – III**LONG QUESTIONS**

1. Explain absolute advantage theory with the help of table of two countries.
(MTN-17) (DGK-17)
2. Write causes of deficit Balance of payment.
(LHR-14-II, 15,16-I) (SGD-15,16) (DGK-19)

**CHAPTER-12****PUBLIC FINANCE****SECTION – I****MULTIPLE CHOICE QUESTIONS**

1. Departments of public finance are:
(SWL-15) (SGD-17)
(a) 2 (b) 3 (c) 4 (d) 5
2. Government estimates its income and expenses:
(LHR-14-I) (AJK-14) (RWP-17)
(a) Monthly (b) Three monthly
(c) Six monthly (d) Annually
3. If government's revenue is greater than its expense then budget is: (LHR-15-I) (AJK-17)
(a) Surplus (b) Defect
(c) Development (d) Balanced
4. Is not included in government's head of expenses:
(LHR-15-II)
(a) Courts (b) Fees
(c) Administration (d) Defense
5. The burden of direct tax is on: (MTN-16)
(a) Owners (b) Consumer
(c) Employees (d) Workers
6. General Sales tax is: (GRW-14) (FSD-15)
(a) Direct tax (b) Indirect tax
(c) Regressive tax (d) Fixed tax
7. Sales tax is: (LHR-16-II) (GRW-14) (RWP-16, 18)
(a) Indirect Tax (b) Direct Tax
(c) Regressive Tax (d) fixed Tax
8. Burden of sales tax is on: (LHR-17-II) (BWP-18)
(a) Organizer (b) Consumer
(c) Shopkeeper (d) Manager

9. The biggest sources of government revenue is: (LHR-18-I) (DGK-15) (AJK-16) (SGD-18, 19)
(a) Loan (b) Fees
(c) Tax (d) Deficit financing
10. The brands of economics related to government's revenue and expenses is called: (LHR-18-I) (RWP-14)
(a) Public Finance (b) Private Finance
(c) Domestic finance (d) Fixed Finance
11. _____ is a direct tax: (MTN-14) (FSD-18)
(a) Income tax (b) Export tax
(c) Import tax (d) Sales tax
12. Is not included in government's source of revenue: (SGD-14) (MTN-15)
(a) Tax (b) Fees
(c) Defense (d) Fines
13. Which tax is indirect: (BWP-14)
(a) Income Tax (b) Property Tax
(c) Wealth Tax (d) Sales Tax
14. Is a tax of Federal government: (GRW-18)
(a) Wealth tax (b) Property tax
(c) Excise duty (d) Local tax
15. The tax imposed on selling of goods and services is called: (GRW-19)
(a) Proportional tax (b) Direct tax
(c) Sales tax (d) Ushr
16. If the income of the government is less than expenditure such budget is called: (DGK-16)
(a) Surplus budget (b) Deficit budget
(c) Balanced budget (d) Capital budget
17. The following states the canons of taxation first: (SGD-16) (AJK-18)
(a) Adam Smith (b) Marshal
(c) Robbins (d) Keynes
18. Sales Tax and excise duty are: (RWP-16)
(a) Indirect taxes (b) Direct taxes
(c) Progressive taxes (d) Regressive taxes
19. Government's policy of Revenue and expense is called: (BWP-17)
(a) Monetary policy (b) Fiscal policy
(c) Trade policy (d) Commercial policy

20. In Pakistan Zakat was implemented at government level in (LHR-16-I) (AJK-17)
 (a) 1980 (b) 1978 (c) 1988 (d) 1998
21. Rate of Zakat is: (LHR-17-I) (SGD-15) (SWL-15) (AJK-16) (GRW-17) (RWP-19)
 (a) 2% (b) 2.5% (c) 3% (d) 3.5%
22. Tax on imports and exports is: (LHR-19) (MTN-17) (DGK-17)
 (a) Central excise duty
 (b) Custom duty
 (c) Income tax (d) Sales Tax
23. Usher is applicable to: (BWP-15, 18) (SWL-16) (DGK-16, 19) (FSD-17) (MTN-18, 19)
 (a) Trade goods (b) Industrial output
 (c) Agricultural output
 (d) Cash
24. Private owners of mineral sources pay what percent of Zakat out of their total product: (FSD-16)
 (a) 5% (b) 10% (c) 15% (d) 20%
25. Beneficiaries of Zakat are: (GRW-16) (SWL-18)
 (a) 2 (b) 5 (c) 8 (d) 10
26. Zakat means: (GRW-15)
 (a) Growth (b) Purity
 (c) Tax (d) a, b both
27. Adam Smith presented the canons of taxations: (AJK-18)
 (a) One (b) Two (c) Three (d) Four

ANSWERS

1. b	2. d	3. a	4. b	5. b
6. b	7. b	8. b	9. c	10. a
11. a	12. c	13. d	14. a	15. c
16. b	17. a	18. a	19. b	20. a
21. b	22. b	23. c	24. d	25. c
26. d	27. d			

SECTION - II

SHORT QUESTIONS ANSWERS

1. What is meant by public finance.
 (LHR-14, 15-II, 17-I, 18-II) (MTN-16) (GRW-14, 17) (DGK-17) (SGD-15, 17) (AJK-14, 17, 18) (FSD-18)
- Ans: Public finance is that branch of economics, which deals with the revenue and expenditures of the government. It studies

the resources of government's revenue and its expenditures.

2. Write four important sources of revenue of government. (LHR-14-II, 15-I) (MTN-16) (DGK-16) (SWL-18) (RWP-19)
- Ans: (i) Taxes. (ii) Fee. (iii) Price. (iv) Special assessment.
3. Write four important heads of government's expense. (LHR-14, 18-I) (MTN-15) (BWP-15) (RWP-18)
- Ans: (i) Defense (ii) Administration (iii) Health (iv) Education
4. Define Tax. (RWP-14) (SWL-16) (AJK-18) (GRW-18)

Ans: Tax is a compulsory payment made by the people to government treasury to meet the expenditure of the government, for the common benefit of the people. There are two characteristics of tax.

Firstly: -

Tax is a compulsory payment made by the people. It is illegal and punishable to refuse payment of tax.

Secondly: -

The amount of money collected from taxes is spent on social welfare. A tax payer cannot demand for a direct personal benefit from the government in return for payment of tax.

5. What is meant by Progressive Tax?
 (LHR-17-I, 19) (DGK-15) (RWP-16) (SWL-17) (AJK-16, 18)
- Ans: A tax in which rate of tax increases with the increase of level of income is called progressive tax. In Pakistan income tax is progressive tax.
6. What is Regressive Tax? (GRW-18, 19) (AJK-15) (RWP-17) (MTN-17)

Ans: Regressive tax is opposite to progressive tax. The lower income level is, the more rate of tax will be and the higher income level is, the less rate of tax will be. It means the rate of tax decreases with the increase in income and vice versa.

7. Differentiate between the incidence of tax and the impact of tax? (MTN-18)

Ans: Impact of the tax means the government receives the tax from the person on whom the tax is imposed while incidence means the burden of the tax. Because it is not necessary that the burden of the tax is on the same person on when tax is imposed.

8. Write two principles of imposing tax. (RWP-15) (MTN-17) (SGD-17) (DGK-19)

Ans: (a) Principle of Equality
(b) Principle of certainty
(c) Principle of convenience
(d) Principle of economy

9. What is proportional Tax. (AJK-14-II) (FSD-17)

Ans: A tax in which the rate of tax remains the same on every level of income is called proportional tax.

10. What is canon of Convenience? (DGK-15) (GRW-15)

Ans: It means that tax should be imposed on times when a taxpayer pay it easily.

11. Write four types of tax? (GRW-16) (BWP-18) (DGK-19)

Ans: (a) Direct tax (b) Indirect tax
(c) Regressive tax (d) Progressive tax

12. What is balanced budget? (BWP-14,15)

Ans: If Government's revenue are equal to its expenses such a budget is called balanced budget.

13. What is surplus budget? (GRW-16,17) (DGK-17) (SWL-17) (MN-19)

Ans: A budget in which Government's revenue is greater than its expenses is called surplus budget.

14. What is meant by deficit budget? (RWP-16) (SGD-19)

Ans: If Government's expenses are greater than its revenue then it prepares deficit budget.

15. Explain Indirect tax with an example. (LHR-17-II, 18-I) (FSD-14, 15) (RWP-15) (SGD-16)

Ans: Indirect tax means the tax which is not paid from the pocket on when it is levied. Rather the burden of the tax is shifted to another person. For example sales tax,

custom duty and excise duty etc. The entrepreneurs and traders pay these taxes for the time being but they include the amount of this tax in the prices of goods and receive from the buyers.

16. What is income Tax. (LHR-16-II) (FSD-16, 19) (AJK-16)

Ans: The tax levied on the incomes of people called income tax.

17. What is custom duty. (LHR-16-I) (RWP-17) (GRW-17) (SGD-14, 18) (BWP-18) (FSD-18) (MTN-19)

Ans: The tax levied by govt. on import and export is called custom duty.

18. What is meant by Direct Tax. (LHR-15,16-I) (GRW-14) (FSD-15) (BWP-17) (MTN-14, 18) (SWL-18) (RWP-19) (SGD-19)

Ans: Direct tax means the tax which is paid from the pocket of the person on when it is levied. It means the incidence (final burden) and impact (initial money burden) of the tax is on the same person. Income tax, property tax and wealth tax are the examples of this kind of tax.

19. What is meant by Fees? (MTN-18)

Ans: The government provides some direct services to the people and charges money in return for these services, it is called fee.

20. Differentiate between Fee and Tax? (SWL-15,16) (AJK-16) (BWP-16)

Ans: Fee is the reward of the government's services from which the people are benefited, while the tax payer can not demand for direct personal benefit from the government in return for payment of tax.

21. Define Zakat. (LHR-14-I,II, 17, 18-II) (RWP-15) (AJK-15, 17) (FSD-14, 15, 19)

Ans: Zakat is a compulsory payment on a sahib-e-nisab Muslim. He pays it as a religious duty at a given rate on open and secret wealth himself or through Islamic state to the deserving people.

22. Define Usher. (LHR-16-II) (DGK-16)
(FSD-16) (AJK-16, 17) (SGD-14, 18) (RWP-18)
(SWL-19)

Ans: Amount payable by a Muslim farmer to the needy out of his agriculture income is called usher.

23. State difference between Zakat and Tax
(LHR-15-II) (BWP-14) (SWL-16) (FSD-17)

Ans: Difference in objectives:-

Difference in objectives of zakat and tax.

(i) Exemption:-

No exemption in the payment of zakat at all while government may exempt the tax.

(ii) Rate:-

Rate of zakat is fixed for ever while the government keeps on changing the rate of tax according to the circumstances.

24. Write four points of importance of Zakat?
(AJK-16) (SWL-19)

Ans: (1) Fair distribution of wealth.
(2) Remedy to unemployment.
(3) Remedy to poverty.
(4) Remedy to concentration of wealth.

SECTION – III

LONG QUESTIONS

- Write principles of imposing tax. (FSD-17)
(LHR-14-I, 16-II, 17-I) (MTN-15, 19) (AJK-16)
(SWL-18) (SGD-18) (BWP-15, 18) (RWP-18)
- Write sources of government revenue.
(LHR-17-II) (FSD-14) (GRW-15) (AJK-14, 15, 17)
- Write down the heads of expenditure of federal government. (GRW-19)
- Write types of taxes. (BWP-16, 17) (MTN-18)
- Write down concept, Beneficiaries and Nisaab of Zakat. (SGD-17) (AJK-18-II)
- Describe difference between Zakat and Tax. (DGK-15) (AJK-15) (MTN-16) (BWP-17)
(FSD-18)
- State economic importance of Zakat.
(LHR-18-I) (MTN-14) (RWP-14) (SGD-19)



Lahore Board

(Session: 2015-2017 & 2018-2020)

Time: 20 min.

Marks: 15

Q1. Four possible answers A, B, C and D to each question are given. The choice which you think is correct, fill that circle in front of that question with Marker or Pen ink in the answer-book. Cutting or filling two or more circles will result in zero mark in that question.

1. **The amount of money for wear and tear is called:**
 - (a) Depreciation expenditure
 - (b) Total expenditure
 - (c) Marginal expenditure
 - (d) Fixed expenditure
2. **The supply curve of perishable goods is:**
 - (a) Horizontal
 - (b) Vertical
 - (c) Elliptical
 - (d) Cross-wise
3. **The factors of production are:**
 - (a) One
 - (b) two
 - (c) three
 - (d) four
4. **The tax impose on the imports and exports is:**
 - (a) Central excise duty
 - (b) Custom duty
 - (c) Income tax
 - (d) Sales tax
5. **The change in total cost is called:**
 - (a) AFC
 - (b) AVC
 - (c) MC
 - (d) ATC
6. **The slope of demand curve is:**
 - (a) Negative
 - (b) Positive
 - (c) Zero
 - (d) infinite
7. **The economic circumstances are worse in:**
 - (a) Boom
 - (b) Recession
 - (c) Depression
 - (d) Recovery
8. **Economics was considered as science of material welfare by:**
 - (a) Marshall
 - (b) keynes
 - (c) Robbins
 - (d) Adam Smith
9. **The application of law of decreasing return is on:**
 - (a) Industry
 - (b) Agriculture
 - (c) Trade
 - (d) Housing
10. **When marginal utility is zero, the total utility is:**
 - (a) Negative
 - (b) Positive
 - (c) Maximum
 - (d) Zero
11. **There is no close substitute of commodity in:**
 - (a) Perfect competition
 - (b) Monopoly
 - (c) Duopoly
 - (d) Oligopoly
12. **The record of visible and invisible items on international account is called:**
 - (a) Balance of payment
 - (b) Balance of trade
 - (c) Balance of budgets
 - (d) Foreign remittances
13. **Friend of Allah Almighty is:**
 - (a) Labourer
 - (b) Seller
 - (c) Policeman
 - (d) President
14. **The function of law of supply is:**
 - (a) Implicit
 - (b) Inverse
 - (c) Decreasing
 - (d) Increasing
15. **The cheque is:**
 - (a) Legal tender money
 - (b) Credit money
 - (c) Paper money
 - (d) Near money

Academic Session: 2014-2016 to 2017-2019

Paper I Subjective

Mark: 60

Time: 2.10 Hours

SECTION I**2. Write Short answer to any Six question:**

- (i) Define wealth. (ii) What is meant by economic problem?
 (iii) Differentiate between utility and usefulness. (iv) What is meant by capital goods?
 (v) What is meant by fall in demand? (vi) What is meant by compound demand?
 (vii) What is meant by short period supply? (viii) What is meant by reserve price?
 (ix) Describe the types of market regarding time element?

3. Write Short answer to any Six question:

- (i) What is meant by large scale of production? (ii) Define average production.
 (iii) Define cost of production. (iv) What is meant by total revenue?
 (v) Define the normal profit. (vi) What is meant by equilibrium.
 (vii) Why the slope of demand curve under monopoly is negative?
 (viii) Define monopoly. (ix) What is meant by partnership?

4. Write Short answer to any Six question:

- (i) Define personal income. (ii) What is meant by subsidies?
 (iii) What is meant by deflation? (iv) Write down two methods to control inflation.
 (v) What is meant by recovery phase of trade cycle?
 (vi) What is meant by protection policy? (vii) Define exchange rate.
 (viii) What is meant by private finance? (ix) Define progressive tax.

Note:**Attempt any Three questions:**

5. Make comparison between definitions of economics of Robbins and Marshall.
 6. Explain extension and contraction of demand with schedule and diagram.
 7. Explain laws of return with the help of schedule and diagram.
 8. What are the causes of inflation? Explain them.
 9. Describe importance of international trade.

Gujranwala Board

(Session: 2015-2017 & 2018-2020)

Time: 20 min.

Marks: 15

Q1. Four possible answers A, B, C and D to each question are given. The choice which you think is correct, fill that circle in front of that question with Marker or Pen ink in the answer-book. Cutting or filling two or more circles will result in zero mark in that question.

1. _____ was the founder of neo-classical school of thought.
 (a) Adam Smith (b) Marshall (c) Keynes (d) Pigou
2. According to economist _____ utility is measurable.
 (a) Marshall (b) Adam Smith (c) Robbins (d) Keynes
3. The demand of basic needs is _____ elastic.
 (a) more (b) less (c) infinite (d) zero
4. If the quantity supplied does not change due to change in price it is called as _____ supply.
 (a) fixed (b) variable (c) short period (d) long period

5. Quickly destroyable goods are called as _____ goods.
 (a) normal (b) inferior (c) giffen (d) perishable
6. When marginal product remains constant, it is called as:
 (a) law of increasing return (b) law of decreasing return
 (c) law of constant return (d) marginal return
7. The change in total cost for the production of every new unit is called:
 (a) total cost (b) average cost (c) variable cost (d) marginal cost
8. The entry of firms in market under perfect competition is:
 (a) free (b) prohibitive
 (c) conditional (d) by the permission of Govt
9. The Supply of land is:
 (a) fixed (b) variable (c) unlimited (d) marginal
10. The wear and tear expenditure of things are called _____ expenditure.
 (a) depreciation (b) total (c) marginal (d) fixed
11. The purchasing power of money is called _____ of money.
 (a) quantity (b) value (c) instrument (d) credit
12. The better phase of trade cycle is:
 (a) depression (b) recovery (c) boom (d) recession
13. The difference between total receipts and total payments of a country in a year is called:
 (a) balance of trade (b) balance of country
 (c) balance of payment (d) inflation
14. The tax imposed on selling of goods and services is called
 (a) proportional tax (b) direct tax (c) sales tax (d) Ushr
15. International economics recession occurred in
 (a) 1945 (b) 1930 (c) 1990 (d) 1776

Academic Session: 2014-2016 to 2017-2019

Paper I Subjective

Mark: 60

Time: 2.10 Hours

SECTION I

2. Write Short answer to any Six question:

- (i) What is meant by "Production of Wealth"? (ii) What is meant by "Micro Economics"?
- (iii) What is "Total Utility"? (iv) Define "Law of Equi Marginal Utility".
- (v) Define "Demand".
- (vi) What is meant by "Income Elasticity of Demand".
- (vii) What is meant by "Short Run Supply"? (viii) Define "Law of Supply".
- (ix) What is "Normal Price"?

3. Write Short answer to any Six question:

- (i) Define the "Law of Increasing cost". (ii) What is meant by "External economies"?
- (iii) What is meant by "Firm"? (iv) Define "Marginal Cost".
- (v) What is meant by "Abnormal Profit"?
- (vi) What is meant by "Equilibrium of industry under perfect competition"?
- (vii) Does a monopolist firm always gain abnormal profit?
- (viii) What is meant by "Dumping"?
- (ix) What is meant by "The Factors of Production"?

4. Write Short answer to any Six question:

- What is meant by "Net National product"?
- What is meant by "Subsidies"?
- What is meant by "Barter System"?
- What is meant by "Bank Rate"?
- What is meant by "Recession"?
- What is meant by "Balance of Payment"?
- Define the "Exchange Rate Currency"?
- What is meant by "Private Finance"?
- What is meant by "Regression TAX"?

Note: Attempt any Three questions:

- Explain the law of diminishing marginal utility with the help of schedule and diagram.
- Explain Law of Demand with its table & Diagram.
- Explain the firm's equilibrium under perfect competition.
- Describe the difficulties of Barter System.
- Write down the heads of expenditure of federal government.

Rawalpindi Board

(Session: 2015-2017 & 2018-2020)

Time: 20 min.

Marks: 15

Q1. Four possible answers A, B, C and D to each question are given. The choice which you think is correct, fill that circle in front of that question with Marker or Pen ink in the answer-book. Cutting or filling two or more circles will result in zero mark in that question.

1. The rewards for Factors of Production is called:

- | | |
|-------------------------|-------------------|
| (a) Costs of Production | (b) Variable Cost |
| (c) Fixed Cost | (d) Marginal Cost |

2. A Monopolist controls supply:

- | | | | |
|-------------|---------------|----------|--------------------|
| (a) Totally | (b) partially | (c) More | (d) Absolutely Nil |
|-------------|---------------|----------|--------------------|

3. The basic factor of Production is:

- | | | | |
|------------|-------------|------------------|----------|
| (a) Labour | (b) Capital | (c) Entrepreneur | (d) Land |
|------------|-------------|------------------|----------|

4. The reward of Labour is called:

- | | | | |
|----------|--------------|------------|-----------|
| (a) Rent | (b) Interest | (c) Profit | (d) Wages |
|----------|--------------|------------|-----------|

5. Income which a person can use by his will:

- | | |
|---------------------|--------------------------------|
| (a) Personal income | (b) Disposable Personal Income |
| (c) Net income | (d) Per Capital income |

6. Inflation is not beneficial for:

- | | | | |
|----------------------|-------------|--------------------|----------------|
| (a) Salaried persons | (b) Traders | (c) Industrialists | (d) Government |
|----------------------|-------------|--------------------|----------------|

7. In which phase of trade cycle the employment level is low:

- | | | | |
|----------|---------------|----------------|-------------|
| (a) Boom | (b) Recession | (c) Depression | (d) Revival |
|----------|---------------|----------------|-------------|

8. Balance of Payments includes:

- | | | | |
|-------------------|---------------------|----------------|-------------------|
| (a) Visible Goods | (b) Invisible Goods | (c) Both A & B | (d) None of these |
|-------------------|---------------------|----------------|-------------------|

9. Zakat Rate is:

- | | | | |
|--------|----------|--------|----------|
| (a) 2% | (b) 2.5% | (c) 3% | (d) 3.5% |
|--------|----------|--------|----------|

10. The Economic Laws are:

- (a) Exact (b) Permanent (c) Conditional (d) Quantitative

11. Goods achieving without paying price are _____ goods:

- (a) Economic (b) Uneconomic (c) Inferior (d) Superior

12. The concept of Elasticity of Demand was presented by:

- (a) Marshall (b) Adam Smith (c) Robbins (d) Keynes

13. The supply of Goods depends upon:

- (a) Utility (b) Willingness (c) price (d) output

14. Supply Curve of Perishable Goods is:

- (a) Horizontal (b) Vertical (c) Oval (d) Cross wise

15. Scale of Production means:

- (a) Production Method (b) Technology
(c) Size of Business (d) Nature of Commodity

Academic Session: 2014-2016 to 2017-2019

Paper I Subjective

Mark: 60

Time: 2.10 Hours

SECTION I**2. Write Short answer to any Six question:**

- (i) What is meant by Macro-Economics?
(ii) Define Science.
(iii) What is meant by positive utility?
(iv) What is meant by saturation point?
(v) Write down four assumptions of Law of demand.
(vi) What is meant by substituted goods?
(vii) What is meant by Joint Supply?
(viii) Write the methods of measurement of elasticity of supply?
(ix) Write four condition of Market.

3. Write Short answer to any Six question:

- (i) Write the definition of land.
(ii) What is meant by labour?
(iii) Define constant return.
(iv) Define marginal production.
(v) Define firm.
(vi) What is meant by longrun?
(vii) Write the conditions of pure competition.
(viii) What is meant by opportunity cost?
(ix) Define monopoly.

4. Write Short answer to any Six question:

- (i) Write four difficulties in measuring "national income".
(ii) Define subsidies.
(iii) What is meant by monetary policy?
(iv) What is meant by metallic money?
(v) Write four characteristics of trade cycle.
(vi) Define favourable balance of trade.
(vii) What is balance of Payments?
(viii) What is meant by Direct Tax?

(ix) Write four sources of Public finance.

Note: Attempt any Three questions:

5. Explain four merits and four demerits of Professor Robbin's definition of Economics.
6. Describe the measurement of elasticity of demand with the help of total expenditure method.
7. Explain law of increasing returns with the help of schedule and diagram.
8. Describe the characteristics of good money.
9. Describe the advantages of international Trade.

Sargodha Board

(Session: 2015-2017 & 2018-2020)

Time: 20 min.

Marks: 15

Q1. Four possible answers A, B, C and D to each question are given. The choice which you think is correct, fill that circle in front of that question with Marker or Pen ink in the answer-book. Cutting or filling two or more circles will result in zero mark in that question.

1. The founder of classical school of thought is:
(a) Adam Smith (b) Keynes (c) Marshall (d) Robbins
2. When marginal utility is zero, the total utility is:
(a) Negative (b) Positive (c) Maximum (d) Zero
3. The relationship between price and quantity demanded is:
(a) Direct (b) Inverse (c) Increasing (d) Positive
4. The slope of supply curve is:
(a) Negative (b) Positive (c) Zero (d) Infinite
5. The supply of perishable goods is:
(a) Fixed (b) Variable (c) Zero (d) Infinite
6. The application of law of increasing return is on:
(a) Industry (b) Agriculture (c) Trade (d) Housing
7. The Sum of Vc and Fc is:
(a) Fixed costs (b) Variable costs
(c) Average Fixed costs (d) Total costs
8. A firm is in equilibrium when:
(a) $TR = MR$ (b) $MP = P$ (c) $P = MC$ (d) $MR = MC$
9. The factors of production are:
(a) One (b) Two (c) Three (d) Four
10. Personal income minus direct tax is called:
(a) National income (b) Disposable Personal income
(c) Per Capita income (d) Personal income
11. The cheque is
(a) Legal tender money (b) Credit money
(c) Paper money (d) Near money
12. The rise and fall in economic activities is called:
(a) International Recession (b) Trade cycle
(c) National income (d) International trade
13. The theory of absolute advantages was presented by:
(a) Adam smith (b) Ricordo (c) Keynes (d) Marshall

14. The advantages of international trade are:

- (a) two (b) Numerous (c) Three (d) Four

15. The most important source of Public revenue is:

- (a) Taxes (b) Fines (c) Local rates (d) Fee

Academic Session: 2014-2016 to 2017-2019**Paper I Subjective****Mark: 60****Time: 2.10 Hours****SECTION I****2. Write Short answer to any Six question:**

- (i) Define wealth.
(ii) What is meant by economic problem.
(iii) Define utility.
(iv) Describe difference between utility and usefulness.
(v) Define Demand.
(vi) What is meant by substitutes?
(vii) Define supply.
(viii) Write two methods of measurement of elasticity of supply.
(ix) What is meant by Market Equilibrium?

3. Write Short answer to any Six question:

- (i) What is meant by marginal product?
(ii) What is meant by law of variable proportions?
(iii) What is meant by total cost?
(iv) Define marginal cost.
(v) Define normal profit.
(vi) Why the slope of demand curve under monopoly is negative?
(vii) What is meant by mobility of labour?
(viii) What is meant by nominal wage?
(ix) What is variable factor of production?

4. Write Short answer to any Six question:

- (i) What is meant by Personal Income?
(ii) What are Transfer payment?
(iii) Define standard money.
(iv) Define Quantity theory of money.
(v) Describe the characteristic of Trade cycles.
(vi) What is meant by visible goods?
(vii) What is meant by international Trade?
(viii) Define Direct Tax.
(ix) What is meant by Deficit budget?

Note: Attempt any Three questions:

5. Describe the characteristics of Laws of Economics.
6. Explain Market price determination of Durable Goods with its Schedule & Diagram.
7. Explain the factors that influence the productivity of Land.
8. State any two methods of measurement of National Income.
9. Explain the economic importance of Zakat.