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Exam Analysis of Last 6 Attempts

Note: Marks Allocated on Multiple Choice Questions is Not Incorporated in This Analysis.

Module B

PAPER B 3: Introduction to Economics & Finance (100 marks)

Indicative Grid

Syllabus Content Area	Weightage
1. Economic Concepts	10
2. Microeconomics	40
3. Macroeconomic	50
Total	100

Note: *The weightages given above are for guidance purposes only and some deviations in setting of papers could be expected.*

1-Economic Concepts

- a. Basic concepts;
- b. Natural resources, labor, capital and enterprise;
- c. Allocation of scarce resources & production, distribution and consumption;
- d. Production possibility frontier and the opportunity cost;
- e. Key characteristics of market economy, planned economy and mix economy;
- f. Microeconomics and Macroeconomics.

Session	Questions	Marks
Autumn 2012	Q.1 What is economic wealth? What attributes the goods must possess to be considered as wealth? Identify the classes of ownership of wealth and give four examples of each. <i>(8 marks)</i>	8
Spring 2012	-	0
Autumn 2011	Q.1 (a) What do you understand by the concept of “Consumer Sovereignty”? <i>(02 marks)</i> (b) Briefly describe the demerits of Free Market Economy. <i>(07 marks)</i>	9
Spring 2011	Q.1 Draw and briefly explain the “Production Possibility Curve”. <i>(07 marks)</i>	7
Autumn 2010	Q.2 (c) Identify five features of an economic system based on capitalism. <i>(05 marks)</i>	5
Spring 2010	Q2(b) Laissez Faire <i>(02)</i>	2

2. Microeconomics

a) Concept of Market

a) Concept of Market

- i. Market forces of demand and supply;
- ii. Demand and supply;
- iii. Equilibrium of demand and supply;
- iv. Elasticity of demand and supply;
- v. Utility analysis and indifference curve;
- vi. Consumer, producers

Session	Questions	Marks
Autumn 2012	(b) Briefly explain the factors on which the size of a market depends. <i>(10 marks)</i>	10
Spring 2012	Q.2 (a) Briefly explain the Law of Equi-Marginal Utility. Also narrate the basic assumptions applicable to the Law of Equi-Marginal Utility. <i>(05 marks)</i> (b) Mr. Khan wants to spend Rs. 100 on two commodities, Rice and Sugar. Following table shows the marginal utility (MU) derived from both of these commodities (see full question in paper)	29

	<p>(06 marks)</p> <p>(c) Describe the limitations of the Law of Diminishing Marginal Utility. (05 marks)</p> <p>Q.3 (a) What is a reserve price? Describe the factors which govern the reserve price of a seller. (06 marks)</p> <p>(b) How do free forces of demand and supply determine equilibrium price and equilibrium quantity? Support your answer with the help of a diagram. (07 marks)-</p>	
Autumn 2011	<p>Q.2 (a) What is meant by “Competitive goods” and “Complementary goods”? Give two examples of each. (04 marks)</p> <p>(b) Explain briefly the factors which determine the Price Elasticity of Demand. (06 marks)</p> <p>(c) Illustrate the relationship between the price and quantity demanded with the help of a diagram when the price elasticity of demand is Elastic, Unitary Elastic and Inelastic. (Explanation is not required) (06 marks)</p>	16
Spring 2011	<p>Q.3 (a) Narrate the basic assumptions applicable to the Indifference Curve Approach. (03 marks)</p> <p>(b) Explain consumer’s equilibrium with the help of a diagram using indifference curves. (09 marks)</p>	12
Autumn 2010	<p>Q.4 Explain briefly by means of diagrams, the concepts of Unitary Elastic Demand, Relatively Elastic Demand, and Relatively Inelastic Demand. Also, state the impact of a decrease in price on total expenditure in each of the different types of elasticities of demand. (12 marks)</p>	12
Spring 2010	<p>Q.1 (a) Describe consumption goods and state the main determinants of demand for these goods. (02)</p> <p>Q1.(c) Define Price Elasticity of Demand. Compute the price elasticity of a product if a decline in the price of the product from Rs. 12 per unit to Rs. 11 per unit increases</p>	21

	<p>its demand from 48,000 units to 60,000 units. (04)</p> <p>Q.7 (a) Describe the Law of Diminishing Marginal Utility. (03) (b) When is a consumer in an Equilibrium position? (02) (c) Narrate the assumptions applicable to the indifference curve approach. (03) (d) With the help of Indifference Curve show how consumers maximize their levels of satisfaction. Support your decision by drawing a suitable diagram. (07)</p>	
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b) Theory of the Firm

- i. Production function and isoquants;
- ii. Cost, revenue and profits;
- iii. Maximization of profits;
- iv. Cost and revenue curves;
- v. Distinction between long run and short run assumptions;
- vi. Equilibrium of firm under perfect competition, monopoly, oligopoly and monopolistic conditions.

Session	Questions	Marks
Autumn 2012	<p>Q.2 (a) What do you understand by the terms Iso-cost line and Iso-quant curve? How does a producer maximize his level of output? Support your answer with the help of a diagram. (11 marks)</p> <p>Q.3 (a) Explain with the help of an appropriate diagram, the price output determination under monopolistic competition in the short-run. (10 marks)</p>	21
Spring 2012	<p>(c) Explain briefly why the short-run average cost curve is “U” shaped. (06 marks)</p> <p>(c) Explain with the help of a diagram, the shut down point of a firm under perfect competition. (06 marks)</p>	12
Autumn 2011	<p>Q.3 (a) What is “Price Discrimination”? Identify and describe briefly the conditions under which a monopolist can keep the sub-markets separate for exercising price discrimination. (10 marks)</p> <p>(b) How a firm can improve its profits by using price discrimination? <i>(Diagram is not required)</i></p>	16

	<i>(06 marks)</i>	
Spring 2011	Q.2 (a) What do you understand by Perfect Competition? Briefly explain the important conditions which are necessary for the existence of Perfect Competition in a market. <i>(07 marks)</i> (b) Explain with the help of an appropriate diagram, the Equilibrium of a Firm under perfect competition, in the long run. <i>(07 marks)</i>	14
Autumn 2010	Q.8 Explain six different features which distinguish a market functioning in an environment of perfect competition from a market which operates as a monopoly. <i>(09 marks)</i>	9
Spring 2010	Q.3 (a) Explain the term Equilibrium of the Firm. <i>(02)</i> (b) State the conditions which are essential for the existence of Perfect Competition in a market. <i>(05)</i> (c) Explain by means of a diagram how price and output are determined in the long-run for a firm operating under conditions of Perfect Competition. <i>(08)</i> Q.10 Briefly explain the following concepts: (a) Oligopoly <i>(02)</i>	17

c) Factors of Production

- i. Laws of returns;
- ii. Pricing of factors of production
- iii. Marginal productivity theory.

Session	Questions	Marks
Autumn 2012	(b) What is meant by “Decreasing returns to scale”? Describe its main causes. <i>(06 marks)</i>	6
Spring 2012	Q.1 What do you understand by the term Division of Labour? Briefly describe any four advantages and disadvantages of Division of Labour. <i>(10 marks)</i>	10
Autumn 2011	(c) Briefly explain the concept of economies and diseconomies of scale. <i>(04 marks)</i>	4
Spring 2011	Q.6 (a) Explain the pricing of factors of production using the Marginal Productivity Theory. <i>(06 marks)</i> (b) Briefly explain any four points of criticism over the Marginal Productivity Theory. <i>(06 marks)</i>	12

Autumn 2010	Q.5 (a) Discuss what is meant by Return to Scale. <i>(03 marks)</i> (b) Explain briefly the concept of Increasing Return to Scale and Decreasing Return to Scale and indicate why these different phenomenon occur. <i>(05 marks)</i>	8
Spring 2010	Q1,(b) State the Law of Increasing Returns and explain the reasons and factors responsible for operation of the Law. (05)	5

3. Macroeconomics

a. National Income

- i. Circular flow of income;
- ii. Measurement of national income including knowledge of basic concepts like GDP, GNP, NNP;
- iii. Marginal propensity to consume and save;
- iv. Consumption, saving and investment functions;
- v. Multiplier and accelerator;
- vi. Equilibrium of national income;

Session	Questions	Marks
Autumn 2012	Q.5 (a) What do you understand by the terms GDP, GNP and NNP? Briefly describe GDP at market price and GDP at factor cost. <i>(08 marks)</i> (b) Determinants of consumption function do not change in short run. Explain. <i>(12 marks)</i>	20
Spring 2012	Q.6 (a) Explain briefly the Accelerator Principle. Identify and explain any five limitations of Accelerator Principle. <i>(08 marks)</i>	8
Autumn 2011	Q.6 (a) What do you understand by the term National Income? <i>(02 marks)</i> (b) Explain briefly three different ways of measuring the National Income. <i>(09 marks)</i> (c) Enumerate the difficulties generally faced in measuring National Income. <i>(09 marks)</i>	20

Spring 2011	Q.7 Explain with the help of a diagram using the concepts of Aggregate Demand and Aggregate Supply, how equilibrium level of national income is achieved. <i>(12 marks)</i>	12
Autumn 2010	Q.1 (a) Draw a Diagram of Circular Flow of Income. <i>(04 marks)</i> (b) Identify and explain briefly the three different types of Withdrawals and Injections from the Circular Flow of Income. <i>(06 marks)</i>	10
Spring 2010	Q.2 (a) Define the term National Income and list the components of National Income under the Income Method. <i>(03)</i> (b) Briefly explain the important uses of National Income statistics. <i>(04)</i>	7

b. Government and the Economy

- i. Fiscal Budget
- ii. Unemployment;
- iii. Inflation;
- iv. Growth, price stability and employment;
- v. Recession

c. Fiscal Policy

- i. Direct and indirect taxation;
- ii. Principles, methods and forms of taxation.

d. Money & Monetary Policy

- i. Types of money;
- ii. Value of money;
- iii. Nature and functions of money;
- iv. Definitions of banking, banking system and its institutions;
- v. Financial intermediaries;
- vi. Role of State Bank;
- vii. The supply of money and interest rate policy.

e. Capital

Role of the money and capital markets.

Session	Questions	Marks
Autumn 2012	Q.6 (a) Describe the four major objectives of a government's economic policy. <i>(06 marks)</i> (b) Explain how monetary and fiscal policies can be used to	20

	<p>achieve the above objectives. (06 marks)</p> <p>(c) What do you understand by the term “Financial intermediary”? Give example. Briefly describe their role in an economy with the help of a flow chart. (08 marks)</p>	
Spring 2012	<p>Q.5 (a) What is meant by Direct and Indirect taxes? Enumerate the features of a good tax system. (08 marks)</p> <p>(b) Discuss four advantages and disadvantages of paper money. (08 marks)</p> <p>(c) What is meant by public debt and how can the government reduce its size? (04 marks)</p> <p>Q.7 (a) State briefly how a government can influence the level of private investment in the country. (10 marks)</p> <p>(b) Explain by means of a diagram the concept of deflationary gap in the economy. (06 marks)</p> <p>(c) Briefly discuss any four unfavourable consequences of unemployment. (4 marks)</p>	40
Autumn 2011	<p>Q.5 (a) Money has been defined by various economists on the basis of its elementary components. Define money using “Traditional Approach” and “Monetarist Approach”. (04 marks)</p> <p>(b) Identify and explain briefly the different functions of money. (08 marks)</p> <p>(c) Describe the effects of inflation on the functions of money. (08 marks)</p> <p>(b) Explain briefly different classes of taxes with the help of a diagram. (06 marks)</p> <p>(c) Give any one advantage and disadvantage of each of the above class of taxes. (06 marks)</p>	32
Spring 2011	<p>Q.4 (a) Explain the relationship between Inflation and Unemployment with the help of a Phillips Curve. (06 marks)</p>	20

	<p>(b) (i) Full Employment is achieved when the rate of Unemployment reaches zero. Discuss. (ii) Identify and briefly describe various types of Unemployment. <i>(12 marks)</i></p>	
Autumn 2010	<p>Q.10 What steps are usually adopted by the authorities to control inflationary pressures? <i>(06 marks)</i></p> <p>Q.7 According to Keynes, individuals have various motives for retaining their money in liquid form. Identify these motives and explain their influence on the liquidity preference of an individual. <i>(06 marks)</i></p> <p>Q.2 (a) How is Economic Growth measured? <i>(01 mark)</i></p> <p>(b) List five ingredients which influence a country's rate of Economic Growth. <i>(05 marks)</i></p> <p>Q.3 (a) What is Nominal Interest Rate? Differentiate between Nominal Interest Rate and Real Interest Rate. <i>(03 marks)</i></p> <p>(b) What is meant by Public Debt and how can the government reduce the size of the Public Debt? <i>(03 marks)</i></p> <p>(c) Identify eight functions which are generally performed by the central bank in a country. <i>(04 marks)</i></p>	28
Spring 2010	<p>Q.9 (a) What is meant by Financial Intermediation? <i>(02)</i></p> <p>(b) Give reasons why commercial banks strive hard to maintain adequate liquidity at all times. <i>(02)</i></p> <p>Q.8 (a) Explain the term Progressive Taxation. State four merits of following a regime of Progressive Taxation. <i>(05)</i></p> <p>Q.5 (a) In your opinion what are the three most important primary goals of a wellconceived Macroeconomic policy? Briefly discuss the significance of each of these macroeconomic goals. <i>(06)</i></p> <p>(b) Explain briefly the concepts of Demand-pull inflation and Cost-push inflation. <i>(04)</i></p>	19

f. International Trade

- i. Trade and balance of payments;
 ii. Foreign exchange rates (floating and fixed exchange rates) their nature, function and determination;
 iii. Trade and its determinants;
 iv. Markets and demand for imports and exports;
 v. Open Economy (Basic concept)
 vi. Introduction to World Trade Organization

Session	Questions	Marks
Autumn 2012	<p>Q.7 (a) Briefly describe the main causes of disequilibrium in the balance of payments. (07 marks)</p> <p>(b) State the measures for rectifying disequilibrium in the balance of payments. (07 marks)</p> <p>(c) Briefly describe three types of exchange rate policies which governments usually adopt for determination of exchange rate. (06 marks)</p>	20
Spring 2012	(b) Describe the objectives of World Trade Organization. (06 marks)	8
Autumn 2011	Q.7 (a) What is meant by the term "Trade Deficit"? Briefly describe the key measures a government may undertake to control the deficit on the country's balance of trade. (08 marks)	8
Spring 2011	<p>Q.8 (a) What do you understand by "Terms of trade"? Explain favourable and unfavourable "Terms of trade" with the help of an example. (04 marks)</p> <p>(b) Briefly explain the factors which affect the "Terms of trade" of a country. (06 marks)</p>	10
Autumn 2010	Q.6 Describe the measures a country may take to correct disequilibrium in the Balance of Payments. (07 marks)	7
Spring 2010	<p>(b) What are the objectives of World Trade Organisation? (06)</p> <p>Q.6 (a) State what is meant by Exchange Rate. List the major factors which influence the long-term movements in the Exchange Rates. (04)</p> <p>(b) Describe four factors which are responsible for creating demand for foreign currency in any country. (04)</p> <p>(c) What is Balance of Payments? What is meant by the term Deficit in the Balance of Payments? (02)</p> <p>(d) List the main headings under which the various accounts in the Balance of Payments are classified and state the currency in which the Balance of Payments of Pakistan is recorded. (02)</p> <p>Q.4 (a) List five advantages which countries seek to achieve by pursuing policies of protectionism in international trade. (05)</p> <p>(b) Explain why countries adopt policies of restriction of imports by quotas rather than by imposition of tariffs. (02)</p>	25

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