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ECO401 Economics

Final Term Examination – Spring 2005
Time Allowed: 150 Minutes

INSTRUCTIONS:

Please read the following instructions carefully before attempting any question:

- All questions are compulsory.
- This exam consists of 5 Multiple Choice Questions (MCQ's) 2 marks each, 6 Short questions carrying 5 marks each and 2 Descriptive questions carrying 10 marks.
- You are required to show all the working of short questions as well as Descriptive
- This examination is closed book, closed notes, closed neighbors.
- Do not ask any questions about the contents of this examination from
- No one may wish to pace yourself with your own watch, but the Supervisor will be the official timekeeper of the test.
- Failure to comply with the Supervisor's directions will result in your test being cancelled. Please comply with supervisor's directions to avoid any unpleasant event.

Total Marks: 60

Total Questions: 13

Question No. 1

Marks : 02

Which of the following are leakages from the circular flow?

- ☐ Consumption and saving.
- ☐ Saving and imports.
- ☐ Imports and exports.
- ☐ Exports and saving.

Question No. 2**Marks : 10**

- a. Briefly explain about fiscal policy.
- b. Explain the terms
 - i. Budget deficit
 - ii. Budget surplus
 - iii. Balanced budget

Question No. 3**Marks : 05**

Define perfect competition? Write down any three assumptions of perfect competition.

Question No. 4**Marks : 10**

Define taxation and explain different types of taxes which the government can impose. Also explain how government can finance budget deficit?

Question No. 5**Marks : 05**

Define money in terms of M0? What are functions of money?

Question No. 6**Marks : 02**

If a firm doubles all inputs in the long run than total output is less than double, we have a case of:

- ☐ Diminishing returns.
- ☐ Constant returns to scale.
- ☐ Increasing returns to scale.
- ☐ Decreasing returns to scale.

Question No. 7**Marks : 02**

In economic theory, the short run differs from the long run in that, in the short run:

- ☐ All factor inputs are variable.
- ☐ All costs are variable.
- ☐ At least one factor input is fixed.
- ☐ All costs are fixed.

Question No. 8

Marks : 05

Differentiate between exports and imports with examples?

Question No. 9

Marks : 02

A budget deficit:

- ☐ Will lead to an increase in the National Debt.
- ☐ Will facilitate a fall in interest rates.
- ☐ Will help to reduce aggregate demand.
- ☐ Means that imports are greater than exports.

Question No. 10

Marks : 05

Define balance of payment? In how many parts balance of payment is divided?

Question No. 11

Marks : 05

Define GDP? What are the ways of measuring GDP?

Question No. 12

Marks : 02

A classical aggregate supply curve shows the following relationship between the price level and real output:

- ☐ Aggregate supply is positively related to real output.
- ☐ Aggregate supply is negatively related to real output.
- ☐ Aggregate supply is unrelated to real output.
- ☐ Aggregate supply is horizontal.

Question No. 13

Marks : 05

Define indifference curve? What is the shape of indifference curve?