→ Aasia Phull
→ Batch # 342
→ Mock exam.

National Officers Academy
NOA
Where Dreams Come True

Economics Sep 23,2023 At 10:00:AM

1). The prisoners Dilemma Game demonstrates that ?
A). players are better off to act independently
B). monopoly is better than competition
C). people will always cheat
D). players are better off if they co-operate

2). Full employment is zero unemployment ?

A). True
B). false
C). Uncertain
D). None

3). If two firms doing the same thing in the same industry join together, this is known as a ?

A). vertical merger
B). horizontal merger
C). conglomerate merger
D). hostile takeover

4). If the national output in one year is measured at $300 billion and a year later it is measured at $315 billion, then the rate of growth in that year is?
A). 3%
B). 5%
C). 7%
D). None

5). Except for taxes to offset ______ taxes are ______?
A). imperfect competition popular
B). externalities, distortionary
C). inequality, a first best option
D). poor health, unnecessary

6). Which of these is a liability?

A). utility bill
B). cash
C). house
D). computer

7). What is the unemployment rate when the economy is at potential GDP?

A). It is equal to the structural rate of unemployment
B). t is greater than the natural rate of unemployment
C). It is less than the natural rate of unemployment
D). it is equal to the natural rate of unemployment

8). What does raising interest rates and reducing the supply of money do?

A). Reduce inflation
B). Reduce unemployment
C). increase Unemployment
D). increase FDI

9). The government classification of a recession is:
A). one quarter of GNP Decline
B). 5 consecutive quarters of Real GDP decline
C). 1 quarter of Real GDP decline
D). 2 consecutive quarters of Real GDP decline

10). The formula for which of the following quantities contains a term for "Planned Investment?"

A). Producer price index
B). GDP
C). Aggregate expenditure
D). CPI

11). If money growth does not affect real GDP, and velocity is stable, an increase in the money s
a proportional increase in

A). real GDP only
B). price level and real GDP
C). price level only
D). price level and nominal GDP

12). One percentage decrease in unemployment is associated with two percentage points of addit
in real GDP is called?

A). Okun's law
B). Cobweb law
C). Marshal law
D). none

13). As per Economic Survey of Pakistan 2022-23, The CPI inflation for the period July-May FY202
recorded at -------as against 8.8 percent during the same period last year

A). 28.3
B). 11.3
C). 12.3
D). none

14). As per Economic Survey of Pakistan 2022-23, the V-Shaped recovery by posting real GDP grov
% in the fiscal year 2023.

A). 5.97
B). 6.97
C). 8.97
D). none

15). Which one of the following is not a key people behind macroeconomics?

A). Thomas J. Sargent
B). Janet Yellen
C). Both A & B
D). None

16). When MU is positive, TU

A). increases
B). decreases
C). remains same
D). none

17). The elasticity of demand for durable goods is

A). Greater than unity
B). less than unity
C). equal to unity
D). zero

18). The demand for the labor is same as

A). The law of demand
B). the iron law of wages
C). the law of diminishing marginal returns
D). economies of scale

19). One of the essential conditions of "perfect competition" is

A). Multiplicity of prices
B). same price-same goods at a point of time
C). many sellers
D). product differentiation

20). When there is growth of resources ,a concave Production Possibility Curve will

A). Shift rightward
B). shift leftward
C). become convex
D). become straight

(Part II)

Q.NO: **Balance of Payment and Its Major Components:**

Ans: (1) **Balance of Payment:**

Balance of payment is a term which represents the 'balance' between the outflux of national reserve in the terms of dollar and influx of dollar in the country.

Balance of payment is a significant component of the country's economic health and it is interconnected with the overall growth and development of nation.

(2) **Major Components of the Balance of Payment:**

The major components of the balance of payments are the current account, remittances and foreign direct investment (FDI), and foreign loans.

(1) Current Account :-

The current account is the account in the Central Bank of the country which keeps the record of export and import. It measures the annual export and import of the country. For instance, if a country is rich in agriculture so it sells its agricultural surplus products to the other countries, it is called exports. If a country has lack of capital (machinery) for domestic production, it buy capital from other countries, it is called imports.

(2) Ramittances :-

Ramittances are the amount which a country get from abroad by its international residents. For instance, the Pakistani residents are employed in United States or Saudi Arabia and they send money to their families in Pakistan in dollar or riyal, then this is called ramittanes.

DATE: __/__/___

(3) Foreign Direct Investment:

The term foreign direct investment (FDI) refers the investment which is done by foreign investors in the country. For example, if Bill Gates invest in Pakistan's IT (information technology) sector, then it will be called the FDI.

(4) Foreign Loans: IMF, WTO, WB, and so on.

(3) Balance of Payment analysis of Pakistan:

It is historic dilemma of Pakistan who has been facing the balance of payment crisis since 1965 and it became the cause of first bailout package from IMF.

The recent fiscal year 2022-23 for Pakistan has been proven worst ever, because it is confronting severe BOP crisis.

Some analytical perspective of Pakistan's BOP crisis.

DATE: __/__/____

(1) Current Account Deficit :-

In recent fiscal year Pakistan is facing the current account deficit, it mean Pakistan is exporting very low and importing very high. Example, Textile company / industry was the backbone of Pakistani industry but according to the Economic Survey of Pakistan, 2022-2023 Pakistan has import the textile 20.8 million PKR.

There are number of other goods in which Pakistan was surplus but now it has to import like wheat.

(2) Low Remittances :-

Comparatively, Pakistan was getting record remittances in the previous fiscal year 2021-22 but the condition is not favourable as it has declined 50% in the on going fiscal year 2022-23.

(3) Lack of FDI in Pakistan :-

There are number of reasons that the foreign investors are reluctant

DATE : __/__/____

to invest in Pakistan. Such issues are security concerns for the foreign investors due to the rise of terrorism, energy crisis, inflation and so on. Pakistan has lost 70% of FDI in the current fiscal year.

(6)

DATE __/__/__

Q.5 Tarrifs and Non-tariff Barriers to International Trade — its usage by some countries.

Ans:- (1) Tariff Barriers to International Trade:-

Tariff is a term which is used for the international trade tax. Tarrif barriers are the adopted by the countries. These includes custom duties which refers the taxes on imported goods. It basically discourage the imported goods by raising the taxes.

(2) Non-tariff Barriers to the International Trade:-

The non-tariff barriers are the direct ban to the goods and services by the government on imports. For instance, Pakistan

DATE: __/__/____

recently imposed the non-barriers tariff on the luxury goods and services.

There are come under the "protectionism".

(3) Reasons behind the usage of tariffs and non-tariff barriers imposed by the countries:-

(1) To save the domestic industry:-

Most of the countries imposed the tariff and non-tariff barriers on the imported goods and services in order to save their own domestic industry. If a country imports the goods and services in excessive then it leads them towards the closure of their own industry.

(2) In order to promote local goods and services:-

When people get used to purchase the imported goods and services

(8)

DATE : __/__/__

then they start to discourage the local products. So, countries adopts the protection policy in order to protect local production.

(3) To boost Gross Domestic Product (GDP) :-

GDP measures the annual production of the country. Countries use tariff and non-tariff barriers to boost their GDP growth. When a country imports more than export and local production then their real GDP declines. In order to boost their GDP countries adopt such policies.

DATE : __/__/____

Q NO 3: Own-price, cross-price and income elasticity. Relationship between own-price elasticity and total revenue:

Ans: (1) Own-price elasticity:

Own-price elasticity is the concept of microeconomics which is used to measure the responsiveness of the "one variable" in the change of "another variable".

"When price reduction or price increase affects the quantity of demand.

For example; if 5% change or reduction in price decreases the quantity demanded by 10%

$$\text{Own price elasticity} = \frac{5\%}{-10\%} = \boxed{-2}$$

DATE: __/__/____

(2) Income - elasticity :-

Income elasticity refers the change in the quantity demanded by the change in income of the consumer.

Example; if the income of the consumer changes by 30% increase then his/her consumption or demand for goods and services also increase by 25%

$$\text{Income elasticity} = \frac{25\%}{-30\%} = \boxed{-0.5}$$

(3) Cross - elasticity :-

Cross - elasticity refers the change in quantity demanded is inelastic by the change in the other variables; eg, drugs, norcotis etc.

(4) Relationship between Own - price elasticity and the total Revenue.

DATE : ___/___/______

As own-price elasticity is used by the producer and total revenue is also associated with the producer. It refers the total amount which a producer gets after the production and its sell.

The relationship between the own-price elasticity and total revenue is when the producer increase or decrease the price of product then its total revenue also increase or decrease accordingly.

Tabular representation:

Price of the Product:	Demanded Quantity:	Total Revenue:
50	5	40
40	6	50
30	8	70
20	10	90

It can be observed that as price decreases, quantity demanded increase along with the total revenue.

DATE : __/__/____

Q.NO:8 Difference between Real GNP and Real GDP:-

Ans:- (1) Real GNP:-

Real Gross National Product is the measurement of annual production of the country.

Real GNP = [C + I + S − (net experts).]

Real GNP do not includes the exports in its measurement.

(2) Real GDP:-

Real Gross Domestic Product is the total measurement of the countries annual production

Real GDP = (C + I + S + E/I + R)

It includes all the factors.