

Economics - ICS Part 2 Economics English Medium Full Book Short Questions Test

Q1. What is saving bank.

Ans 1: These are banks which receive savings of the people as deposits and pay higher interest rate than the current interest rate. They do not advance loans to the people rather give the whole collected amount to government. In Pakistan national savings centers and post offices are operating as saving banks.

Q2. From which countries does Pakistan import most of its goods.

Ans 1: USA, Japan, Kuwait, Saudi Arabia, Germany and U.K

Q3. Under Which principle state bank of Pakistan issues notes.

Ans 1: State bank of Pakistan issues notes under proportional reserve system or banking principle.

Q4. Write five advantages of paper money.

Ans 1: 1- Saving of metals 2- Saving of coinage

Ans 2: 3- No fall in the value 4- Easy transferability

Ans 3: 5- Elastic supply

Q5. Which institutions advance loans in the money market

Ans 1: 1- The institutions which buy and sell bills of exchange.

Ans 2: 2- The institutions which buy and sell securities, bonds and shares.

Ans 3: 3- Commercial banks and cooperative banks.

Ans 4: 4- Insurance companies.

Q6. What is meant by Paper Money

Ans 1: 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. These notes are accepted in general business dealings as medium of exchange.

Q7. What is meant by privatization.

Ans 1: Selling of a government owned institution or property to private individuals as called privatization for example, in Pakistan, many banks and industries have been privatized.

Q8. Write main sources of supply of money.

Ans 1: 1- Individual savings 2- Public savings 3- Corporate savings

Ans 2: 4- Insurance companies

Q9. What is Charity.

Ans 1: Voluntarily spending in the way of God is called Charity. In other words financial help of needy people is counted in charity.

Q10. Write formula of terms of trade.

Ans 1: Terms of trade = $\frac{\text{export price index of current year}}{\text{import price index of current year}} \times 100$

Q11. What is meant by average propensity to save.

Ans 1: The ratio between saving and income is called average propensity to save. To find average propensity to save, saving is divided by income.

Ans 2: $APS = S/Y$

Q12. Write about SAARC.

Ans 1: SAARC came into existence in 1983. The basic objective of this organization is to extend mutual cooperation between the member countries. This organization consists of eight members.

Ans 2: 1- Pakistan 2- Bangladesh 3- India 4- Sri Lanka 5- Nepal

Ans 3: 6- Bhutan 7- Maldives 8- Afghanistan

Q13. What are the various concepts of national income.

Ans 1: 1- Gross National product

Ans 2: 2- Net National product 3- Gross Domestic product

Ans 3: 4- National income 5- Personal Income 6- Per Capita income

Ans 4: 7- Disposable personal income

Q14. What are three components of current account.

Ans 1: Balance of trade, Services and non transferable private transfers.

Q15. Define legal tender money.

Ans 1: 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 punishment.

Q16. Define demand for money according to Prof. Keynes

Ans 1: Quantity of money which people prefer to hold in the form of cash is called demand for money.

Q17. State relationship between prices and value of money.

Ans 1: There exists an inverse functional relationship between prices and value of money. It means the value of money falls due to a rise in prices and the value of money rises due to a fall in prices.

Q18. Write five factors influencing productivity of labour.

Ans 1: 1- Physical health and general ability of the labourer

Ans 2: 2- Moral qualities 3- Hereditary qualities

Ans 3: 4- Condition of work 5- Climate

Q19. What is meant by Money Market.

Ans 1: Money market consists of all those institutions which raise short-term funds. The short-term borrowers consist of businessmen, wholesale sellers, investors, and firms. Thus, the money market is a market of short-term transactions of loans. In the short run, funds are obtained in exchange of commercial papers, bills of exchange and short-term securities.

Q20. Which are Rabi Crops.

Ans 1: Rabi crops include wheat, gram, lentil, tobacco, rapeseed, barley and mustard etc.