

Principles of Economics (English Medium) - ICOM Part 1 Economics English Medium Chapter 12 Short Questions Preparation

Q1. Define stagflation.

Ans 1: When general price level increases with higher unemployment level is known as stagflation.

Q2. What is meant by credit money ?

Ans 1: It is acceptable as medium of exchange only on confidence. Credit money is the optional money in the form of cheques, drafts, credit cards and current account.

Q3. How many kinds are of legal tender money ?

Ans 1: It has two kinds:
i. Limited legal tender money.
ii. Unlimited legal tender money.

Q4. Define quantity theory of money.

Ans 1: "If the quantity of money is doubled, price level will be doubled and value of money will be one half and if quantity of money is halved, price level will be halved and value of money will be doubled provided other things remain the same".

Q5. What is barter system ?

Ans 1: System of exchange of goods with goods and services without using money is called barter system. For example if a person exchanges wheat with rice to another person that is called barter system.

Q6. What is deficit financing ?

Ans 1: When central bank prints new currency without keeping any reserves is known as deficit financing.

Q7. Write four measures to control of deflation.

Ans 1: 1. Taxes should be decrease.
2. Rate of interest should be decreased.
3. Increase in Govt. expenditures.
4. Exports should be increased.

Q8. What is convertible paper money ?

Ans 1: That paper money which can be converted into standard money (like gold, silver or foreign exchange) on demand. For example, in Pakistan 10, 50, 100, 500, 1000 and 5000 rupees notes are convertible paper money. This kind of money is issued by central bank.

Q9. Write any four positive effects, if inflation.

Ans 1:

1. Increase in production.
2. Increase in employment.
3. Increase in investment.
4. Increase in economic development.

Q10. Write any four difficulties barter system.

Ans 1:

1. Lack of double co-incidence of wants.
2. Lack of common measure of value.
3. Indivisibility of goods.
4. Difficulty in storing of value.
