

## Economics - ICom Part 2 Principles of Economics Chapter 10 Short Questions Preparation

Q1. 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.

Q2. 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.

Q3. Write five measures taken by the government to control inflation.

**Ans 1:** 1- Introduction of saving schemes.

**Ans 2:** 2- Steps to increase agricultural production.

**Ans 3:** 3- Steps to control smuggling

**Ans 4:** 4- Establishment of federal price and supplies board

**Ans 5:** 5- Establishment of utility stores corporation.

Q4. Which are the important departments of the State Bank of Pakistan.

**Ans 1:** 1- Issuing department 2- Banking department 3- Exchange control

**Ans 2:** 4- Research department

Q5. What is meant by Capital market.

**Ans 1:** Capital market means a market where the transactions for capitals and the capital market is consisted of people or institutions which borrow and the institutions which provide loans for long term

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Q6. When was state bank of Pakistan established and where is its head office.

**Ans 1:** The bank was established on 1st July 1948 and its head office is in Karachi.

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Q7. Write formula to measure inflation.

**Ans 1:** Inflation Rate =  $\frac{P^1 - P^0}{P^0} \times 100$

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Q8. Write effects of inflation.

**Ans 1:** 1- Increase in investment, production and employment.

**Ans 2:** 2- Cost of living increase 3- Savings are discouraged

**Ans 3:** 4- Exports decrease 5- costs of public projects increase

**Ans 4:** 6- Distribution of income becomes unequal

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Q9. State definition of inflation in the words of Prof. Hanson.

**Ans 1:** "When prices tend to rise more rapidly than the production of goods and services it is called inflation."

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Q10. Which institutions advance loans in the money market.

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