

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

Q1. State definition of inflation is the word of Prof. A.P.Lerner.

**Ans 1:** "Inflation is a situation when demand for goods and services has become greater than their supply."

Q2. Write five causes of inflation in Pakistan.

**Ans 1:** 1- Increase in the quantity of money

**Ans 2:** 2- Decrease in production

**Ans 3:** 3- Over population 4- Devaluation of the currency

**Ans 4:** 5- Increase in the cost of production

Q3. What is proportion of reserves to issue notes in Pakistan.

**Ans 1:** 33%

Q4. What is meant by Hyper inflation.

**Ans 1:** If prices rise very fastly then it is called Hyper inflation.

Q5. What is meant by Galloping inflation.

**Ans 1:** If prices rise fastly then it is called galloping inflation.

Q6. 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, whole sellers, investors, and firms thus money market is a market of short term transactions of loans. In the short run, funds are attained in exchange of commercial papers, bills of exchange and short term securities.

Q7. What is meant by cost push inflation.

**Ans 1:** If prices rise continuously due to rise in cost of production of goods then it is called cost push inflation.

Q8. Write five methods to control inflation.

**Ans 1:** 1- Quantity of money should be controlled.

**Ans 2:** 2- Production of goods should be increased

**Ans 3:** 2- Social evils should be controlled.

**Ans 4:** 4- Growth rate of population should be reduced

**Ans 5:** 5- Growth rate of population should be reduced

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Q9. 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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Q10. Define inflation.

**Ans 1:** Generally inflation means rise in price. If value of money falls due to rise in prices, it is called inflation. In economics inflation is an economic situation when the value of money is falling and prices are rising.

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