

**Al-Saudia Virtual Academy**  
**Pakistan Online Tuition – Online Tutor Pakistan**

**M.A (PREVIOUS) EXAMINATION 2002 HELD IN 2003**  
**ECONOMICS (PAPER-V-B)**  
**(NATIONAL INCOME ACCOUNTING 7 ANALYSES)**

**Time: 3 Hours**

**Max. Marks: 100**

Instructions:

- (1) Attempt any Five Questions.
- (2) All question carry equal marks.

Q.1 How the equilibrium level of national income can be determined in three sector model? Explain the inflationary and deflationary gaps. How a government can fill these gaps?

Q.2 What roles do the following terms play in Keynes's Theory of Employment?

- (a) Aggregate demand
- (b) Aggregate supply
- (c) Effective demand.

Q.3 What effects does an increase in government expenditure have on the labor market according to the "Classical Theory"? What effects does it have on output, the real interest rate and the price level? Explain with the help of diagrams.

Q.4 Explain the "Acceleration Principle". Compare it with the multiplier. What part does it play in trade cycles?

Q.5 What is the various method of measuring the national income? Why do they give the same answer? What are the problems faced by Pakistan in the estimation of national income accounting?

Q.6 Briefly answer the following questions.

(a) Why are goods and services counted in GDP at market value? Are there any disadvantages in using market values to measure production?

(b) Describe how the GDP deflator and the CPI are calculated. What are the basic differences between these two prices indexes?

© Explain the concepts "Propensity to consume" and "Propensity to save"? Describe the factors which determine the saving function of a society?

(a) What do you know about the "Marginal Efficiency of capital"? Describe its determinants?

Q.7 What is the "Consumption Function"? Distinguish between average propensity to consume and marginal propensity to consume. Explain the importance of consumption function in Marco economics analysis.

Q.8 Write short notes on any Two of the following:

- (a) The components of expenditure.
- (b) Factors affecting investment spending.
- (c) The components of expenditure.

(d) Uses of input-output table in national income accounting