



Entry Test

Academic Session 2019-20

ECONOMICS

Total
Marks **40**

45 min

Class: IG-III(X)

Write in block letters:

Candidate Name

Date

Kindly read the instructions carefully;

- 1 Answers must be written in ink.**
- 2 Write the number of question distinctly before each answer.**

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Total Marks		Marks Obtained		Percentage	
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Instructions:

Attempt any 2 questions

1.

An increasing number of Pakistani firms are employing managers educated at the country's universities. Pakistan's universities are also increasing the number of entrepreneurs in the country. Every entrepreneur and every manager faces a number of challenges including raising finance, sometimes by borrowing. Some entrepreneurs and managers also negotiate with trade unions. These organisations can influence a country's economic growth rate.

- (a) Identify **two** risks that entrepreneurs have to bear. [2]
- (b) Explain **two** reasons why firms may prefer to employ local managers rather than foreign managers. [4]
- (c) Analyse why households and firms may borrow more during times of rapid economic growth. [6]
- (d) Discuss whether the activities of trade unions are likely to increase or decrease a country's economic growth rate. [8]

2.

The largest Indonesian aviation firm is a public corporation that started production in 1976. It employs a relatively high value of capital goods and has a monopoly of aircraft construction in Indonesia. It has been making parts for foreign firms for some time but is now trying to sell aircraft to other countries. This involves it competing in a market where most of the firms are public limited companies.

- (a) Identify who owns a public corporation and who owns a public limited company. [2]
- (b) Explain why fixed costs are high in the aircraft-making industry. [4]
- (c) Analyse what determines a firm's demand for capital goods. [6]
- (d) Discuss whether the quality of products is likely to be higher in a monopoly or in a perfectly competitive market. [8]

3.

An entrepreneur plans to cut down timber in a rainforest. The local community, however, are concerned that the social costs will be greater than the social benefits.

- (a) Define the factor of production, enterprise. [4]
- (b) Distinguish between the social benefits and the social costs involved in this example. [6]
- (c) Discuss whether a resource, such as a rainforest, should be conserved rather than used. [10]

4.

Firms are keen to know what influences consumers in their buying decisions. Publishing firms in India have researched why people buy particular magazines and have found that the price elasticity of demand for different magazines varies.

- (a) Describe the factors that can affect the demand for a product. [6]
- (b) Explain what is meant by price elasticity of demand. [6]
- (c) Discuss how knowledge of the price elasticity of demand for magazines may be used by a firm which produces and sells magazines. [8]