

## IN THE NAME OF ALLAH

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(Q 1 (a) :

- What effect will each of the following have on the demand for small automobiles at the mini cooper and smart car?

(a/ Answer) :

- If a small automobiles becomes more fashionable then there is rightward shift in the demand curve for the small car , because a change in the consumers tastes in favour of commodity increase demand of that commodity.

(b Answer) :

- If the price of small automobiles remain same in the price of large automobile increases so the demand for small automobile will increase because in law of demand we say when prices increase the demand for that good or a commodity decreases or when the prices decreases of that product then the demand increase there is inverse relation between price and demand

(c / Answer):

- The inferior goods are those goods which demand decreases when income increase and vise versa . This is because of when a good has more costly substitute that shows increase in demand when income in economy improves .when the income decline demand for smart automobiles will be increase which will shift the demand curve to the right side

(d/ Answer) :

- when the consumer predict that the price is of small automobiles will decrease in future so the demand for automobiles will also be decreases and demand curve will be shift backward to the left side

(e / Answer ) :

- when the price of gasoline substantially drops the demand for small automobiles will be also decrease and vise versa . the demand curve will be also shift backward to the left side

(B / Answer) :

- Before we know about the law of demand we have to know about what demand is?

(Demand):

1. The amount of any commodity or service that consumer is willing to purchase at a given price.

(Law of demand) :

2. When other things remain the same there is inverse relation between price and quantity demand. When there is increase in price there will be decrease in demand. when there is decrease in price there will be increase in quantity demanded
- Demand curve is downward sloping due to following reasons
    1. Substitution effect
    2. Income effect

3. Population effect
4. Diminishing marginal utility

(Question 2 ) : Define monetary policy and explain in details the instruments of monetary policy ?

- Monetary policy is a central bank's action and communication that manage the money supply. The money supply includes forms of credit , cash , checks and money market mutual funds the most important of these forms of money is credit . credit includes loan , bonds and mortgages

**Objectives of monetary policy:**

Central banks have three monetary policy objectives:

1. The most important is to manage inflation.
2. The secondary objective is to reduce unemployment but only after controlling inflation.
3. The third objective is to promote moderate long term interest rates.

Q3: explain the following:

- Micro and macroeconomics:  
The study of economics at a small level or individual units  
Macroeconomics: the study of economics at aggregate or as a whole.
- Positive and normative science :  
A positive science may be define as a body of systematised knowledge concerning what is ,normative science as a body of systematised knowledge relating to criteria of what ought to be
- Principle of economics:

- 1: Markets are usually a good way to organise economy activity
- 2: Trade can make everyone better off
- 3: The cost of something what you give up to get it.
- 4; A country's standard of living depends on it ability to produced goods and services.

- Deduction and induction:

1. Induction: ( Specific to General )

Is the process of reasoning from apart to the whole , from particular to general or from individual to the universal .” bacon descript it as” in a sending process ” in which facts are collected , arranged and then general consolation are drawn

2. Deduction: (General to specific)

A deduction is an expense that be subtracted for in individual are married couples, gross income in order to reduce the amount that is subject to incomet tax. It is often referred to ask in allowable deduction.