

SHORT QUESTION

Q.1. Define utility with example.

Utility is the **capacity of a good to satisfy human wants.**

Example: Food has utility because it removes hunger.

Q.2. What is the difference between utility and benefit?

Utility	Benefit
Power to satisfy wants	Actual satisfaction received
Psychological	Practical
Example: Food	Example: Feeling full

Q.3. What is meant by income?

Income is the **reward earned for providing services or using resources.**

Example: Salary of an employee.

Q.4. Differentiate between national income and net national income.

National Income	Net National Income
Total income of a country	National income minus depreciation
Gross concept	Net concept

Q.5. Write three features of wealth.

1. Has utility
2. Is scarce
3. Has value

Example: Gold fulfills all features.

Q.6. What is meant by international wealth? Give an example.

International wealth refers to **assets held abroad**.

Example: Foreign exchange reserves.

Q.7. Define saving with an example.

Saving is the **portion of income not spent**.

Example: Saving Rs. 5,000 from monthly income.

Q.8. What is meant by corporate investment?

Corporate investment is the **investment made by companies** to expand production.

Example: A company buying new machinery.

Q.9. Define value with an example.

Value is the **worth of a good in money terms**.

Example: A laptop has high value.

Q.10. Write any two features of value.

1. Value depends on demand
2. Value depends on scarcity

Example: Rare coins have high value.

LONG QUESTION

Q.1. Define income. Also discuss the types of income with examples.

Definition of Income

Income is the **money or reward received by a person or organization** for providing services, labor, capital, or entrepreneurial skills over a period of time.

Example:

Salary earned by a teacher every month is income.

Types of Income

1. Wages

Income earned by labor for physical or mental work.

Example: Daily wages of a factory worker.

2. Salary

Regular monthly payment to employees.

Example: Monthly salary of an engineer.

3. Rent

Income earned from land or property.

Example: Rent received from a house.

4. Interest

Income earned from lending money.

Example: Interest received on bank deposits.

5. Profit

Income earned by entrepreneurs after expenses.

Example: Profit of a shop owner.

Q.2. Define savings. Also describe its features and different types.

Definition of Savings

Savings is the **portion of income that is not spent on consumption** and is kept for future use.

Example:

If a person earns Rs. 50,000 and spends Rs. 40,000, the remaining Rs. 10,000 is savings.

Features of Savings

1. Depends on income level
 2. Used for future needs
 3. Helps in capital formation
 4. Encourages investment
 5. Provides financial security
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Types of Savings

1. Personal Savings

Savings made by individuals.

Example: Saving money in a bank account.

2. Business Savings

Savings made by firms.

Example: Retained earnings of a company.

3. Government Savings

Savings of the government.

Example: Budget surplus.

Q.3. Define investment. Explain the types of investment with examples.

Definition of Investment

Investment refers to the **use of savings to purchase capital goods** or assets that generate future income.

Example: Buying machinery for a factory.

Types of Investment

1. Private Investment

Investment by individuals or firms.

Example: Opening a new shop.

2. Public Investment

Investment by government.

Example: Construction of roads and dams.

3. Corporate Investment

Investment by companies.

Example: Expansion of a manufacturing plant.

4. Foreign Investment

Investment from foreign countries.

Example: Foreign company investing in Pakistan.

Q.4. Define value. Also discuss different factors which produce value in a commodity or service.

Definition of Value

Value is the **worth or importance of a commodity or service in terms of money.**

Example:

Gold has high value due to its usefulness and scarcity.

Factors Producing Value

1. Utility

Ability of a good to satisfy wants.

Example: Water has utility.

2. Scarcity

Limited availability increases value.

Example: Diamonds are valuable due to scarcity.

CH # 02

Basic Concepts of Economics

3. Demand

Higher demand increases value.

Example: Mobile phones have high demand.

4. Transferability

Goods must be transferable.

Example: A house can be sold.

5. Durability

Long-lasting goods have more value.

Example: Gold ornaments.

EXAM CHAMBER