

Solution Assignment No 1 MGT411

Question no 1 Part A (marks 04)

CPI = Cost of Basket that period /Cost of basket base period *100

Inflation rate = {(CPI that period – CPI preceding period)/ CPI preceding period}*100

Years	Cost of Basket	CPI	Inflation rate
2006	2000	$2000/2000 *100=100$	N.A
2007	2300	$2300/2000*100 =115$	$=(115-100)/100*100 =15\%$
2008	2850	$2850/2000*100 =142.5$	$=(142.5-115)/115*100=23.91\%$

Part B (marks 04)

GDP deflator = Nominal GDP/Real GDP*100

Inflation rate = {(GDP Deflator that period – GDP deflator preceding period)/ GDP deflator preceding period} *100

Years	Nominal GDP	Real GDP	GDP deflator	Inflation rate
2006	78000	78000	$=78000/78000*100=100$	NA
2007	82000	80000	$=82000/80000*100=102.5$	$=(102.5-100)/100*100$ 2.5%
2008	89000	85000	$=89000/85000*100=104.71$	$=(104.7-102.5)/102.5*100$ 2.15%

Part C (marks 02)

M1 = Current account balances in Pakistan + ATM cards balances in Pakistan

M2 = Individual money market mutual fund+ Banks saving accounts in Pakistan

Question 2 marks 10 Part A (marks 05)

PV= Rs.100,000

RATE= i =5% p.a

YEAR =n=10

Compounded times = m = 4

FV=?

$$\mathbf{FV = PV \cdot (1 + i/m)^{mn}}$$

$$FV = 100,000 \cdot (1 + 0.05/4)^{10 \cdot 4}$$

$$FV = 100,000 \cdot (1 + 0.0125)^{40}$$

$$FV = 100,000 \cdot (1.0125)^{40}$$

$$FV = 100,000 \cdot 1.6436$$

$$\mathbf{FV = Rs.164,361.9}$$

Part B (marks 05)

FV= Rs 200,000

RATE=i=6% p.a

YEAR = m = 5

Compounding times = n=2

PV=?

$$\mathbf{PV = FV / (1 + i/m)^{mn}}$$

$$PV = 200,000 / (1 + 0.06/2)^{5 \cdot 2}$$

$$PV = 200,000 / (1 + 0.03)^{10}$$

$$PV = 200,000 / (1.03)^{10}$$

$$PV = 200,000 / 1.3439$$

$$\mathbf{PV = Rs 148,818.8}$$