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FEDERAL PUBLIC SERVICE COMMISSION

COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS IN PBS-17, UNDER THE FEDERAL GOVERNMENT, 2002

ECONOMICS, PAPER-I

TIME ALLOWED: THREE HOURS **MAXIMUM MARKS: 100**

NOTE: Attempt **FIVE** questions in all, including **QUESTION NO. 8** which is **COMPULSORY**. All questions carry **EQUAL** marks.

1. Why is equality of Marginal Revenue and Marginal Cost essential for profit maximization in all market structures? Examine the significance of this equality in the theory of the firms.

2. "Planned Investment is equal to Savings at all levels of NNP; actual investment equals savings only at the equilibrium NNP". Do you agree? Explain.

3. What role can the Central Bank play in promoting economic growth with sta[illegible]? Illustrate your answer with reference to Pakistan.

4. "The Modern tendency in economic thinking is to discard the old notion of the quantity of money as the sole determinant of the value of money". Elucidate.

5. Do you agree that indirect rather than direct taxation will provide large public revenue needed in a developing economy? Explain.

6. Explain the concept of Terms of Trade. How do you account for the deterioration of terms of trade of a developing country like Pakistan?

7. Evaluate the following statements:
   (a) If a product improves in quality from one year to the next year and its price rises to reflect this improvement, Real GNP and GNP deflator both will increase.
   (b) If a Pakistani firm decides to build a plant in Japan rather than in Pakistan, GNP of Pakistan will exceed to GDP.

COMPULSORY QUESTION

8. Write only the correct answers in the Answer Book. Do not reproduce the questions.

   (1) Two commodities are considered to be perfect substitutes for each other if the elasticity of substitution is
   (a) positive (b) negative
   (c) infinite (d) none of these.

   (2) A straight-line downward sloping demand curve implies that, as price falls, the elasticity of demand
   (a) increases (b) decreases
   (c) remains the same (d) none of the above

   (3) Which of the following is often considered to be inconsistent with the notion of perfect competition
   (a) large number of firms (b) free entry
   (c) complete mobility (d) none of the above

   (4) Currently total investment as percentage of GDP in Pakistan is
   (a) 12.9 (b) 14.9
   (c) 16.9 (d) none of the above

   (5) A purely monetary explanation of the business cycle is proposed by
   (a) Hawtrey (b) Schumpeter
   (c) Hansen (d) none of the above

   (6) The exogenous variable in the income equation C + I + G = Y is
   (a) C (b) I
   (c) G (d) none of the above

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(7) The Lorenz curve describes
(a) income distribution (b) the interest rate
(c) the marginal efficiency of capital (d) none of the above

(8) A stable equilibrium requires that the marginal propensity to consume is
(a) less than zero (b) zero
(c) one (d) none of the above

(9) International trade during the 19th century was characterized by
(a) extensive barriers to trade (b) operation of the gold standard
(c) a small volume of international trade (d) none of the above

(10) The type of business organization in which an individual has unlimited responsibility for the debts of the organization is
(a) partnership (b) corporation
(c) monopoly (d) none of the above

(11) Which one of the following types of taxes is the most regressive
(a) income taxes (b) sales taxes
(c) excise taxes (d) none of the above

(12) An Engel curve is based on which one of the following assumptions
(a) constant prices, varying incomes (b) constant prices, constant incomes
(c) constant incomes, varying prices (d) none of the above

(13) The largest trading partner of Pakistan is
(a) Italy (b) Hong Kong
(c) Germany (d) none of the above

(14) Of the following which one is a characteristic of monopolistic competition
(a) standardized product (b) comparatively easy entry
(c) little non-price competition (d) none of the above

(15) In the long run
(a) fixed costs will be greater than variable costs
(b) variable costs will be greater than fixed costs
(c) all costs are variable costs
(d) none of the above

(16) Currently the total export value of Pakistan is
(a) $ 10 billions (b) $ 9 billions
(c) $ 8 billions (d) none of the above.

(17) A competitive firm will maximize profits at the output where
(a) the difference between price and marginal cost is highest
(b) price is higher than the average total cost by the largest amount
(c) total revenues and total costs are exactly equal
(d) none of the above

(18) Structural unemployment can be eliminated by
(a) training the technologically unemployed
(b) increased federal expenditures
(c) an increase in the general credit level
(d) none of the above

(19) Public utilities tend to be
(a) inefficient
(b) natural monopolies
(c) subject to increasing costs
(d) none of the above

(20) Which one of the following is incorrectly matched
(a) Joan Robinson --- Imperfect Competition
(b) Edward Chamberlin --- Monopolistic Competition
(c) Vilfredo Pareto --- Welfare Economics
(d) none of the above

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ECONOMICS, PAPER-II

TIME ALLOWED: THREE HOURS MAXIMUM MARKS: 100

Note: Attempt **FIVE** questions in all, including **Question No. 8** which is **COMPULSORY**. All questions carry **EQUAL** marks.

1. Suggest ways to improve various economic and non-economic factors to ensure a persistent and appreciable economic growth rate in Pakistan, keeping in view inherent constraints/limitations.

2. Explain the structure of planning machinery in Pakistan. Point out vital deficiencies/predicaments and suggest remedial measures.

3. Elaborate the common social features of all the land reforms implemented in Pakistan. What were the socio-economic fall outs of these reforms?

4. The policy of "financial inequality" in the sixties, transformed the economic structure and social order in Pakistan. Substantiate with facts and logical conclusions, whether you agree or otherwise.

5. Summarize various trends in the Balance of Payment of Pakistan right from inception. What is the present situation?

6. How can we enhance the industrial sector contribution to the GDP, realizing the fact that Pakistan is a capital-scarce, highly-populated country.

7. How would you evaluate the process of privatization in Pakistan? A success or a failure.

COMPULSORY QUESTION

8. Write only the correct answer in the Answer Book. Do not produce the question.

(1) The real GDP growth was .....in fiscal year 2001-2002:
(a) 3.4% (b) 3.6% (c) 3.8% (d) 4% (e) None of these

(2) The slower growth in real GDP over the last two years has been caused mainly by:
(a) low investment (b) continuation of catastrophic droughts
(c) decline in the contribution of services sector
(d) Growth performance of many developed and emerging market economies.
(e) None of these.

(3) Population growth rate in Pakistan is:
(a) 2.2% (b) 2.4% (c) 2.6% (d) 2.8% (e) None of these

(4) More than half of the total FDI inflows in Pakistan is contributed by:
(a) U.S.A. (b) U.K. (c) Japan (d) U.A.E. (e) None of these

(5) The national saving rate has increased by.....percentage points of GDP since 1998-99:
(a) 2.7 (b) 3.7 (c) 4.7 (d) 5.7 (e) None of these

(6) The largest sector, attracting a big chunk of total Foreign direct investment in Pakistan is:
(a) Trade, Transport and Communications
(b) Chemical and Pharmaceuticals (c) Oil and Gas and Power Sector
(d) Electronics (e) None of these

(7) Global GDP approximates to:
(a) $ 10 trillion (b) $ 20 trillion
(c) $ 30 trillion (d) $ 40 trillion
(e) None of these

(8) Based on the requirements of 2150 calories, the Government of Pakistan has adopted the official poverty line in 1998-99 as.....per capita per month.
(a) Rs. 450 (b) Rs. 550
(c) Rs. 650 (d) Rs. 650
(e) None of these

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(9) Almost 40% of the CBR revenue originates from:
(a) Personal and corporate income (b) Imports
(c) Wealth (d) Natural Gas & Petroleum
(e) None of these

(10) Pakistan's non-agricultural GDP in 2001-2002 was ..... that of last year figures:
(a) greater than (b) less than
(c) equal to

(11) According to the Budget estimate for the year 2002-2003, the approximate ratio of Development expenditure to current expenditure is:
(a) 1 : 3 (b) 1 : 4
(c) 1 : 5 (d) 1 : 6
(e) None of these

(12) A commodity is considered to be a "luxury" if its income elasticity is
(a) Equal to one (b) Greater than one
(c) less than one (d) Zero
(e) None of these

(13) Value bonds fall when:
(a) Invest rate falls
(b) Invest rate rises
(c) Invest rate remains constant for long time
(d) Invest rate fluctuates
(e) None of these

(14) Monopolistic exploitation and monopolistic competition:
(a) are the same
(b) Latter results in the former
(c) Former results in the latter
(d) Fanner refers to higher prices and latter to different ated products
(e) None of these

(15) Beside other instruments, the State Bank can change money stock by manipulating:
(a) The currency deposit ratio (b) the reserve deposit ratio
(c) Market and discount rate (d) All of the above
(e) None of the (a), (b) and (c)

(16) Pakistan is pursuing:
(a) Fixed exchange rate system
(b) Flexible exchange rate system
(c) Managed float through Banks
(d) All of the above
(e) None of the (a), (b) and (c)

(17) Monetary policy that results in lowering interest rate is:
(a) Contractionary (b) Expansionary
(c) Moderate (d) deflationary
(e) None of these

(18) The Bonus Voucher or Export bonus scheme was introduced in the year:
(a) 1957 (b) 1958
(c) 1959 (d) 1960
(e) None of the these

(19) The Bad luck factor responsible for poor performance of economy in 1970's is:
(a) Massive floods and crops failure
(b) Global Oil Crisis
(c) World recession following OPEC price rise
(d) All of the above
(e) None of the (a), (b) and (c)

(20) Although they never materialized, recommendations of the Muslim League Land Reform Committee were put forward in:
(a) 1947 (b) 1948
(c) 1952 (d) 1954
(e) None of these.

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