# FEDERAL PUBLIC SERVICE COMMISSION

## COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS IN BPS-17, UNDER THE FEDERAL GOVERNMENT, 2004

### 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. Resource allocation and their outcomes are the Central goals of all individuals. The emphasis is not on supply side, rather price is determined by what people want and are prepared to pay for?

2. If aggregate demand exceeds the productive capabilities of the economy at full employment, there will be insufficient out put to meet demand at the current price level. It creates an inflationary pressure and can be demonstrated as inflationary gap. Discuss.

3. State and demonstrate the determinants of Money supply in an economy. What role does it play, if there is increase or decrease in money supply?

4. High tax rates means large disincentives to productive efforts that aggregate supply and tax revenues are both restricted. Give your arguments for a just tax System.

5. The major issue of developing countries is the volume of production and quality control. Customers and consumers expect it. How the producers exceed customers expectations? How will you recommend the business community to prepare themselves for Global Free Trade?

6. IMF exist to co-ordinate foreign exchange dealings, and to give macro-economic policy advice. It provides a frame work on matters of monetary and exchange rate policy. Discuss.

7. Critically examine that the Quantity Theory of Money is more accurately a monetary theory of the price level.

### COMPULSORY QUESTION

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

(1) In supply of and Demand for a product, an increase in production costs will shift:
- (a) Demand Curve to the left (b) Supply Curve to the right
- (c) Demand Curve to the right (d) Supply Curve to the left
- (e) None of these

(2) When a demand schedule is drawn up, which of the following is not held constant:
- (a) Price of Substitutes (b) Price of factors of production
- (c) Price of Complementary goods (d) The price of the goods
- (e) None of these

(3) The more a person consumes of a thing:
- (a) The smaller is his total gain
- (b) The slower is the rate of increase in his total pleasure
- (c) The higher is the price.
- (d) Consumes the maximum
- (e) None of these

(4) When AC is less than MC:
- (a) An increase in output would cause AC to rise
- (b) Fixed costs must be rising
- (c) AC to fall
- (d) Should not produce beyond minimum AC
- (e) None of these

(5) A firm's total fixed costs are Rs.2400. If at a certain output its price per unit is Rs.20/- and average variable cost per unit is Rs.14/-. The level of out put is:
- (a) 1000 units (b) 800 units (c) 600 units
- (d) 400 units (e) None of these



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ECONOMICS, PAPER-I:

(6) Which of the following is not a condition of perfect competition:
(a) Inelastic Demand curve (b) single price
(c) Uniform product (d) many buyers
(e) None of these

(7) Profit maximizing monopolist will produce at the level of out put, where:
(a) Price is greater than MC (b) AR = MR
(c) AR = MC (d) Total Costs are minimized
(e) None of these

(8) A steel firm takes over a Coalmine Company. It is an example of:
(a) Holding Company (b) Internal economies of scale
(c) Horizontal integrator (d) Vertical integrator
(e) None of these

(9) Which of the following is not part of aggregate demand:
(a) Investment (b) Govt. Spending (c) net exports
(d) Taxes (e) None of these

(10) If GNP rises while 3 of the following four remain fixed. Which of the four could not have risen:
(a) Consumption (b) Taxes (c) Saving
(d) transfers (e) None of these

(11) An increase in the income tax rate causes the full employment budget surplus to:
(a) Increase (b) Depends on tax
(c) Decrease (d) Depends on propensity
(e) None of these

(12) The most important factor responsible for growth in GNP has been:
(a) Technological change (b) Govt. Spending
(c) Capital formation (d) Population growth
(e) None of these

(13) A businessman expects an internal rate of return of 12% and decides that the investment is attractive. The decision is based on:
(a) Accelerator principle (b) Marginal efficiency theory
(c) Marginal Propensity to invest (d) Multiplier principle
(e) None of these

(14) Over time increase in interest rate is expected to:
(a) reduce inflation (b) Increase inflation
(c) reduction in GDP (d) decrease in liquidity
(e) None of these

(15) Exchange rates are:
(a) only a demand factor (b) a demand & supply factor
(c) only supply factor (d) neither demand nor supply factor

(16) An increase in disposable income:
(a) increases economic good (b) reduces economic good
(c) reduces spending (d) has no effect on economy
(e) None of these

(17) Demand pull inflation is:
(a) When aggregate demand is rising (b) When aggregate demand is low
(c) When costs are rising (d) When costs are low
(e) None of these

(18) The foreign debt can be reduced by:
(a) Increase in domestic saving (b) increase in aggregate demand
(c) increase in exchange rate (d) decrease in wealth
(e) None of these

(19) Net foreign debt is:
(a) the difference between exports and imports.
(b) Debt less equity
(c) Difference between gross borrowing from non residents and lending overseas
(d) only savings
(e) None of these

(20) The Focus of Monetary policy is a:
(a) Price stability (b) External Balance (c) Stimulating growth
(d) Current account deficit (e) None of these

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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. Economic development does not simply raise the community to a higher level of economic welbeing but reorganize the society from within. Define economic development in the light of above statement. Show how it can be measured?
2. What is inescapable is a change or an effective planning. Surplus Labour hidden capital and mobility of resources cannot be increased a great deal without welwoven planning. Give a critical evaluation of planning experience in Pakistan.
3. Agriculture stimulate Industrial Sector, and through effective International Trade can earn Substantial Foreign exchange. In the absence of agriculture tax and value added tax which remain one of the most useful Fiscal Instrument at the disposal of a conscious state for raising funds for agriculture development projects. Give a critical review of agricultural policies.
4. Dr. KUZNETS writes that the major stock of a nation is not its physical equipments. The essential investment is largely in human beings and not in sticks and stones. Unless human Capital efficiently developed, tangible results in industrial development can not be realized. Discuss in detail.
5. Small and medium type business get easy access to the funds, have tremendous potentials of growth and contribute a lot to the society. Provided they extend a needed service, charge reasonable price and do it well. Signify the role of medium type business for economic development.
6. The only remedy is to privatize public sector projects as quickly as possible, so that funds are made available at a competitive rates to competitive projects. Let visions and ideas come from the state so that private initiative can be educated to constitute and flourish. Discuss.
7. To be competitive, organizations have no choice, but to use the management concept and techniques to innovate and to lead to new challenges. Signify the direction of trade and trends in Pakistan's major exports and imports.

### COMPULSORY QUESTION

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

(1) Most of the public sector projects were in loss because:
- (a) Setting up of industries in backward areas
- (b) Where private investors were hesitant to invest.
- (c) Profit making was not the objective
- (d) Projects were facing numerous problems and consumers were exposed to taxes

(2) Many manufacturing units were nationalized because:
- (a) 22 families were found having control over a lion share
- (b) producers paid wages which were below the subsistence wage rate
- (c) Capitalist class was given protection
- (d) Consumers had to face increasing Indirect taxes.

(3) Which of the following be the reason for poor performance of Nationalised Units:
- (a) Repeated rupee devaluation
- (b) Multiple exchange rate system
- (c) Import duties and tariff walls reduced
- (d) Tax rebates and incentives to the producers were withdrawn.

(4) The main objective of a wage and income policy is:
- (a) An increase in economic growth and reduced unemployment
- (b) Wage increases without out-break of inflation.
- (c) To increase exports and reduce current account deficit.
- (d) Have low interest rate.

(5) Safety net is a level of income that:
- (a) Union want
- (b) employees want
- (c) employers want
- (d) is minimum amount acceptable.

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(6) Wage and income policy help reduce in:
(a) Cost push inflation in the country (b) Demand pull inflation
(c) Supply (d) Demand

(7) The need for competition is:
(a) that the economy is productive and efficient
(b) Job creation
(c) Reduction in foreign trade
(d) Economic growth

(8) Fixed capital means:
(a) Stocks or inventories of raw materials
(b) The machinery & equipments used.
(c) Corporate bonds
(d) Structures, building and equipments.

(9) If capital consumption is greater than gross investment:
(a) Gross investment must be negative
(b) Gross investment must be declining
(c) Net investment is negative
(d) Replacement investment is rising

(10) A surplus balance of payment may cause:
(a) Employment and money supply to rise
(b) Money Supply to fall
(c) Employment to rise and money supply to fall
(d) Employment and money supply to fall

(11) Invisible exports include all the following except:
(a) Government spending on military bases located out side country
(b) Gifts received by residents from foreign relatives
(c) Flows of dividends into the country
(d) Money spent abroad by the residents on tourism.

(12) Incidence of a tax refers to:
(a) Who eventually bears the burden of tax.
(b) A principle of taxation
(c) Whether the tax is direct or indirect
(d) A tax is periodically levied.

(13) During a period of inflation, income tax revenue rises faster than income, illustrate:
(a) Unemployment trap (b) Poverty trap
(c) Fiscal boost (d) Fiscal drag

(14) Causes of poverty trap include the:
(a) Income tax being set lower than the benefits
(b) Existence of black economy
(c) Process of fiscal boost
(d) Regressive nature of income tax

(15) Privatized industry which benefits from economies of scale, it is likely that:
(a) Efficiency will improve and profits will increase
(b) Efficiency will improve but losses will be made.
(c) Industry's monopoly power will diminish
(d) The industry will be easier to Nationalized.

(16) The economic problem of deciding what goods to produce is decided by:
(a) Supply or demand (b) Profit levels
(c) Shadow prices (d) Relative prices

(17) Supply of agriculture credit from all sources is:
(a) 67924.8 m (b) 97924.8 m (c) 47924.8 m (d) 27924.8 m
(e) None of these

(18) To reduce economic disparities, which one will prove effective?
(a) Market imperfection be removed (b) Information system be made effective
(c) Population pressure be controlled (c) Taxation system be made effective

(19) Terms of Trade refers to:
(a) Volume of exports and imports
(b) Volume of balance of trade to balance of imports
(c) Relationship between export prices and imports prices
(d) Exchange value of currencies between two countries.

(20) Pakistan exports are primarily:
(a) Manufactured goods (b) Sports goods
(c) Primary products (d) Tertiary products.

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