FEDERAL PUBLIC SERVICE COMMISSION

COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS IN BPS-17, UNDER THE FEDERAL GOVERNMENT, 2005

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 The major economic problem in a society is not the volume of Production from scarce resources but rather how the resulting Products are distributed among the consumers in a society. Discuss?

2 In any economic system decision regarding how to allocate scarce resources among competing uses is performed with help of price mechanism? How will you determine the ability of an economy to to reach a rational decision.

3 Equilibrium level of National income is at the point of effective demand. Higher the level of effective demand, higher will be the level of income and employment in the economy. Taking leakages and injection approach when C+I > C+S , when C+I = C+S , and when C+I < C+ S. Demonstrate your answer diagrammatically

4 Liquidity preference theory is the Keynesian view why people want to hold liquid funds .State the motives in support of the liquidity preference in an Economy. How will you describe supply of money and distinguish between Narrow money and Broad money.

5 The managers of the exchequer explained the economic policies in term of driving cars. Maintaining a correct relationship between the pressure of demand and the capacity of the economy to meet the demand, the govt. is supposed to touch the accelerator (reduce taxes), to touch the brakes (increase taxes) if demand was running fast. What just system you can propose to deal with the situation. Suggest the constraints you will face.

6 To join hands with the communities of nations Pakistan trading advantage can only be in least cost combination and constantly improving quality of its products . Agriculture sector must be industrialized as much as possible with effective land reform. Comment?

7 State the aims of International Monetary Fund and give its principal functions Do you think that the prescriptions suggested by the IMF benefit the developing countries more or deprive them of the existing facilities?

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ECONOMIC. PAPER-I:

COMPULSORY QUESTION

8 write only the correct answer in answer book. Do not reproduce the question.

1 which cause the demand curve for a good to move to the right,
- A A decrease in the cost of production.
- B A fall in the price of the good.
- C An increase in the price of a complimentary good.
- D An increase in the price of a close substitute good.

2 If an economy experiences an increase in productivity, it means that;
- A The level of output has risen.
- B employees are working harder than before.
- C output per unit of input has risen.
- D technical change has taken place.

3 The central economic problem in an economy refers to;
- A The prevalence of unemployment.
- B to allocate scarce resources between competing uses.
- C Consumers having less money than they would like.
- D ensures that production costs are covered by sales revenue.

4 If the price elasticity for a product is -2, a 10 % fall in its price will;
- A Decrease total revenue by 20 %
- B Increase sales volume by 10 %
- C increase sales volume by 20%.
- D increase total revenue by 20 %

5 Average cost curve rises after a certain level of output because of
- A Diseconomies of scale of production.
- B Law of decreasing returns.
- C Diminishing marginal utility.
- D rise in price of factor of production.

6 which one of the following will tend to increase the degree of Competition in an industry.
- A product differentiation.
- B Horizontal integration.
- C Economies of scale.
- D low fixed costs.

7 A rise in the interest rate can lead to all except which one,
- A Fall in the share prices.
- B A rise in investment.
- C A rise in exchange rate.
- D A shift of income from borrowers to savers

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8 if demand is inelastic, which of the following statement is correct.
- A If price of the good rises, the total revenue earned will increase.
- B If price of the good rises, the total revenue earned will fall.
- C If price of the good falls, the total revenue earned will increase.
- D If price of the good falls, the total revenue earned is unaffected.

9 which would shift the production possibility frontier to the right.
- A A fall in unemployment.
- B An increase in exports.
- C A rise in total consumer expenditure.
- D technical progress reducing production costs.

10 A fiscal expansion is most likely to reduce unemployment when,
- A there is high marginal propensity to consume.
- B there is high marginal propensity to save.
- C structural unemployment.
- D there is fixed exchange rate.

11 Economic welfare refers to;
- A An increase in state welfare payment.
- B a rising standard of living.
- C Increased employment opportunities.
- D increase in health and education services.

12 In calculating National income, double counting can be avoided by.
- A deducting taxes and adding subsidies.
- B deducting imports and adding exports.
- C excluding the value of the output of intermediate goods.
- D excluding the value of transactions in second hand goods.

13 Government wish to control inflation because it,
- A tends to reduce government tax revenue.
- B Causes money supply to expand.
- C damages international competitiveness.
- D shift income towards holders of financial assets.

14 if the exchange rate of currency fell, the result would be that export prices ,
- A measured in the domestic currency would fall.
- B measured in the domestic currency would rise.
- C measured in foreign currency would fall.
- D measured in foreign currency would rise.

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15 which one of the following is most likely to lead to a fall in the money supply.

A A fall in the interest rates .
B Purchase of government securities by the state Bank.
C Sale of government securities by the state Bank.
D A rise in the amount of cash held by commercial banks.

16 the real rate of interest is ,

A the rate at which the central bank lends to financial institutions.
B Bank base rate.
C the difference between the rate of interest and the rate of inflation.
D the annual percentage rate of interest

17 Public sector borrowing requirement is best defined as ,

A the borrowing by the general public over the period of a year.
B to finance the difference between a country's exports and imports.
C the amount of taxation and borrowing needed to finance public expenditure.
D the difference between government expenditure and its revenue from taxation.

18 Multi – national company is best described as one which,

A engages extensively in international trade.
B Sells its output in more than one country.
C Produces goods or services in more than one country.
D Is owned by share holders in more than one country.

19 Which of the following is not an economic advantage of international trade

A It encourages specialization.
B Consumer choice is widened.
C industry secure economies of large scale production.
D trade surpluses can be used to finance the budget deficit.

20 which of the following cause most likely a country's balance of payments to move towards a deficit.

A devalue the country's currency.
B the expansionary fiscal policy.
C A contractionary fiscal policy.
D a rise in the rate of domestic saving.

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