FEDERAL PUBLIC SERVICE COMMISSION

COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS IN BS-17 UNDER THE FEDERAL GOVERNMENT, 2011

Roll Number

ECONOMICS, PAPER-I

TIME ALLOWED: THREE HOURS	**(PART-I MCQs)**	**30 MINUTES**	**MAXIMUM MARKS: 20**
	(PART-II)	**2 HOURS & 30 MINUTES**	**MAXIMUM MARKS: 80**

NOTE: **(i)** **First** attempt **PART-I (MCQs)** on separate Answer Sheet which shall be taken back after 30 minutes.

(ii) **Overwriting/cutting of the options/answers will not be given credit.**

(PART-I MCQs) (COMPULSORY)

Q.1. Select the best option/answer and fill in the **appropriate box** on the **Answer Sheet**. **(1 x 20=20)**

(i) Price effect is a combination of:
(a) Income effect and policy effect (b) Income substitution, income and welfare effect
(c) Substitution effect plus market effect (d) All of these

(ii) Which of the following is true in long run equilibrium for a firm in monopolistic competition?
(a) MC = ATC (b) MC>ATC (c) MC<ATC (d) None of these

(iii) To represent the whole economy there are:
(a) Four markets (b) Three markets (c) Two markets (d) None of these

(iv) The long run average cost curve is:
(a) U-shaped (b) J-shaped (c) Hyperbola shape (d) Both (a) and (b) (e) None of these

(v) Demand curve in monopolistic competition is:
(a) Relatively flatter than monopoly (b) Relatively steeper than monopoly
(c) Negatively sloped and same as monopoly (d) None of these

(vi) The relation between labour units employed and wage rate is shown by:
(a) Value of marginal product of labour [VMP_l] (b) Value of average product of labour [VAP_l]
(c) Negatively sloped marginal productivity curve (d) Both (b) and (c)

(vii) A market with few entry barriers and with many firms that sell differentiated products is:
(a) Purely competitive (b) Monopoly
(c) Monopolistically competitive (d) Oligopolistic Competition

(viii) The firm's profit will be maximum when its:
(a) Marginal cost is greater than marginal revenue (b) Marginal revenue is greater than marginal cost
(c) Marginal cost is equal to marginal revenue (d) Both (a) and (b)

(ix) General equilibrium represents:
(a) Equilibrium of the goods and money market (b) Equilibrium of the goods market
(c) Equilibrium of the goods, money and labour market (d) None of these

(x) Net exports are always:
(a) Positive (b) Negative (c) Balance (d) None of these

(xi) When Slope of the Aggregate Expenditure Curve increases; (Keynesian Cross model)
(a) National Income will increase (b) National Income will decrease
(c) There will be recessionary gap (d) There will be inflationary gap (e) None of these

(xii) GNP of a country is:
(a) GDP divided by prices (b) GNP – GDP (c) GNP – Depreciation (d) None of these

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(xiii) Money is:

(a) Currency and Coins (b) Credit cards and drafts (c) Bonds
(d) Promissory notes (e) None of these

(xiv) Keep in mind Production Possibility Frontier (PPF):

(a) All the points on the PPF could be efficient points
(b) Production may be chosen inside PPF which will be efficient
(c) Production out side the PPF is efficient (d) None of these

(xv) The investment demand curve is always:

(a) Negatively sloped (b) Positively sloped (c) Vertical (d) Horizontal

(xvi) Real interest rate is:

(a) Interest rate divided by prices (b) Interest rate divided by inflation
(c) Interest rate minus inflation (d) Interest rate plus inflation

(xvii) The consumer will be in equilibrium where:

(a) Budget line intersect indifference curve (b) Budget line intersect price line
(c) Both (a) and (b) (d) None of these

(xviii) When there is Liquidity Trap:

(a) Money demand increases interest rate (b) Money demand decreases interest rate
(c) Money demand curve is vertical (d) All of these (e) None of these

(xix) Due to change in price aggregate demand curve will:

(a) shift to the left (b) Shift to the right (c) None of (a) and (b) (d) Become flatter

(xx) Derived demand is:

(a) Like demand for shoe maker (b) Like teacher/tutor
(c) Like craftsman (d) All of these (e) None of these

PART-II

NOTE:(i) **PART-II** is to be attempted on separate Answer Book.
(ii) **Attempt ONLY FOUR questions from PART-II. All questions carry EQUAL marks.**
(iii) **Extra attempt of any question or any part of the attempted question will not be considered.**

Q.2. **(a)** Explain consumer equilibrium by utilizing Cardinal and Ordinal Approaches. **(15)**
(b) Which approach is better to establish consumer equilibrium and why? **(05)**

Q.3. **(a)** Explain the difference between Perfect and Pure Competition. **(05)**
(b) Establish equilibrium under any one markets, you have explained under (a) above. **(15)**

Q.4. **(a)** Establish and explain equilibrium of the economy in the short run and long run. Why short run Aggregate Supply curve is horizontal. **(15)**
(b) Briefly explain major factors which alter the slope of Aggregate Supply Curve. **(05)**

Q.5. **(a)** Briefly explain major components of Aggregate Demand equation (function) and also explain the role of planned and real (effective) aggregate demand. **(15)**
(b) Besides, explain how an increase in net exports may change equilibrium of the economy. Discuss its impacts. **(05)**

Q.6. **(a)** Briefly point out major reasons for money demand. How an equilibrium in the money market is established. **(15)**
(b) Show an impact of an increase in prices on money supply and in money market. **(05)**

Q.7. **(a)** Briefly explain major definitions of inflation. **(05)**
(b) How there could be hyper inflation and propose its remedial measures. **(15)**

Q.8. **(a)** Explain major goals of International Monetary Institutions like World Bank. **(10)**
(b) Discuss with proof whether and how many such goals, you discussed under (a) above are achieved. **(10)**

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ECONOMICS, PAPER-II

TIME ALLOWED:	**(PART-I MCQs)**	**30 MINUTES**	**MAXIMUM MARKS: 20**
THREE HOURS	**(PART-II)**	**2 HOURS & 30 MINUTES**	**MAXIMUM MARKS: 80**

NOTE: **(i)** **First** attempt **PART-I (MCQs)** on separate Answer Sheet which shall be taken back after 30 minutes.

(ii) **Overwriting/cutting of the options/answers will not be given credit.**

(PART-I MCQs) (COMPULSORY)

Q.1. Select the best option/answer and fill in the **appropriate box** on the **Answer Sheet**. **(1 x 20=20)**

(i) The best measure of economic development is:
(a) GNP (b) HDI (c) PQLI (d) None of these

(ii) Due to land reforms of 1972 the number of farmers benefited were around:
(a) 50,300 (b) 71,500 (c) 81,201 (d) 40,301

(iii) The best measure of economic development, among the following is:
(a) Life expectancy (b) Industrial development
(c) Agricultural and industrial development (d) Development of services sector

(iv) As per 1990 census, the number of tenants in Pakistan were around:
(a) 16% (b) 20% (c) 25% (d) 13% (e) None of these.

(v) Area irrigated by different sources in Pakistan is around _____ Million hectares:
(a) 17 (a) 20 (a) 15 (a) 18

(vi) Which era (decade) in Pakistan is called “the decade lose”:
(a) 1960’s (b) 1970’s (c) 1980’s (d) 1990’s (e) 2000’s

(vii) The urban employment in the informal industry is:
(a) 72% (b) 50% (c) 30% (d) 79% (e) 60.5%

(viii) The effective tariff rate in Pakistan (Foreign Sector) is:
(a) Below 10% (b) Around 15% (c) Around 20% (d) Around 23%

(ix) The major objective of Monetary Authorities is:
(a) To control inflation and help the government (b) Stability of the economy
(c) To reduce unemployment and print money (d) To control interest rate and promote investment
(e) None of these

(x) Out of total revenue of Pakistan, the following percentage is spent on defence and debt services:
(a) 50% (b) 30% (c) 90% (d) 80% (e) 70%

(xi) Under WTO, Pakistan has bounded tariff for agriculture around:
(a) 100% (b) 50% (c) 150% (d) None of these

(xii) The best technique to measure competitiveness of trade is:
(a) Absolute advantage (b) Comparative advantage
(c) Revealed comparative advantage (d) Openness of the foreign sector

(xiii) The agricultural share in GDP is around:
(a) 22% (b) 20% (c) 15% (d) 10%

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(xiv) Structural adjustment program in Pakistan led to:

(a) Increase poverty (b) Reduce poverty

(c) Improve the economy (d) No significant impact

(xv) The IMF loans are:

(a) For short term (b) For long term (c) Both (a) and (b) (d) None of these

(xvi) Indirect taxes are around _____ of the revenue.

(a) 70% (b) 80% (c) 85% (d) None of these

(xvii) In the last ten years, foreign debt servicing of Pakistan has:

(a) Increased (b) Decreased (c) Remained the same

(xviii) With the introduction of reforms in the foreign sector Pakistan's competitiveness has:

(a) Improved (b) Deteriorated

(c) Improved and deteriorated (d) Deteriorated and improved

(xix) The industrial share in the GDP is around:

(a) 20% (b) 18% (c) 22% (d) 15%

(xx) Produce Index Unit is:

(a) Per acre total production in a year (b) Per acre production of one crop in one acre

(c) Aggregate average production per acre (d) None of these

PART-II

NOTE: **(i)** **PART-II** is to be attempted on separate Answer Book.
(ii) **Attempt ONLY FOUR questions from PART-II. All questions carry EQUAL marks.**
(iii) **Extra attempt of any question or any part of the attempted question will not be considered.**
(iv) **Your answer must be based upon evidences (empirical or theoretical).**

Q.2. **(a)** Define Economic Development and state that how this definition has changed over time? **(15)**

(b) In the light of (a) above, how the scope of Development Economics has changed? **(05)**

Q.3. **(a)** Explain why trade is considered as "engine of growth"? **(10)**

(b) Did liberalization lead to improve our exports? Explain with the help of Pakistan's competitiveness (say Revealed comparative advantage) . **(10)**

Q.4. **(a)** Evaluate and point out major sources of agricultural growth in Pakistan? **(10)**

(b) What happened to these variables of growth over the time? (You must provide empirical evidence for your arguments). **(10)**

Q.5. **(a)** Discuss major sources of industrial growth in Pakistan. **(10)**

(b) Point out major obstacles in its growth. **(10)**

Q.6. **(a)** Discuss the role of foreign debt and its implications. **(10)**

(b) How can we get out of debt trap? **(10)**

Q.7. **(a)** Point out three major approaches to measure poverty and analyze poverty problem in Pakistan, with respect to the best approach you have described? **(15)**

(b) Describe A. K. Sin's contribution to measure Poverty. **(05)**

Q.8. **(a)** Briefly discuss major components of recent fiscal policy being followed in Pakistan. **(10)**

(b) Analyze its contribution to improve the economy. **(10)**

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