FEDERAL PUBLIC SERVICE COMMISSION

COMPETITIVE EXAMINATION FOR
RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT, 2014

ECONOMICS, PAPER-I

Roll Number

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

NOTE: **(i)** **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **ONLY FOUR** questions from **PART-II. ALL questions carry EQUAL marks.**
(iii) Candidate must write **Q. No.** in the **Answer Book** in accordance with **Q. No.** in the **Q. Paper.**
(iv) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(v) Extra attempt of any question or any part of the attempted question will not be considered.

PART-II

Q. No. 2. Given the profit function of a firm. **(20)**

$$\Pi = 80X - 2X^2 - XY - 3Y^2 + 100Y$$

Using the Lagrange Multiplier Method, find the maximum of the profit function subject to the constraint that: $X + Y = 12$.

Q. No. 3. Using the utility maximization model show that total price effect is equal to the sum of income and substitution effects. **(20)**

Q. No. 4. Differentiate between monopoly and perfect competition? How price and output is determined under monopoly in the short run? **(20)**

Q. No. 5. **(a)** Define and explain the concept of average fixed cost, average variable cost, average total cost and marginal cost with the help of diagram. **(10 each)** **(20)**
(b) What is the significance of the point where marginal cost is equal to average cost? Describe this relationship mathematically as well as graphically.

Q. No. 6. Given below is the information about money market in a economy (all values in billions): **(20)**

C = Currency in circulation
D = Demand deposits = $ 600
X = Excess Reserves
r = reserve requirement on Demand Deposits = 0.05
(C/D) = 0.25
(X/D) = 0.05

Calculate the value of the following: **(5 each)**

(a) Monetary Base
(b) M1 Money Supply
(c) Money Multiplier
(d) Change in Monetary base required to achieve M1 = $800

Q. No. 7. Use the Keynesian Cross to predict the impact of: **(20)**

(a) An increase in government purchases **(7)**
(b) An increase in taxes **(7)**
(c) An equal increase in government purchases and taxes **(6)**

Q. No. 8. Write short NOTES on the following: **(20)**

(a) Consumer and producer surplus **(7)**
(b) Compensating and Equivalent variation **(7)**
(c) Philips curve **(6)**

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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)** **Part-II** is to be attempted on the separate **Answer Book.**

(ii) Attempt **ONLY FOUR** questions from **PART-II. ALL questions carry EQUAL marks.**

(iii) Candidate must write **Q. No.** in the **Answer Book** in accordance with **Q. No.** in the **Q. Paper.**

(iv) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.

(v) Extra attempt of any question or any part of the attempted question will not be considered.

PART-II

Q. No. 2. Discuss the common characteristics of developing countries like Pakistan. **(20)**

Q. No. 3. Differentiate Absolute Poverty and Relative Poverty. Explain the poverty reduction strategies in Pakistan **(20)**

Q. No. 4. Define agriculture price policy and its kinds. What are the objectives of agriculture price policy in developing countries like Pakistan? **(20)**

Q. No. 5. Explain the major monetary and fiscal measures to promote industrial development. **(20)**

Q. No. 6. Give the causes of deficit in balance of payment in Pakistan and suggest measures to correct the adverse balance of payment. **(20)**

Q. No. 7. What is the difference between collective and cooperative farming? Explain the advantages and causes of failure of cooperative farming? **(20)**

Q. No. 8. Write NOTES on the following: **(10 each)** **(20)**

(a) Trends in Foreign Remittances

(b) Privatization Policy

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