FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2025 FOR RECRUITMENT TO POSTS IN BS-17 UNDER THE FEDERAL GOVERNMENT

Roll Number

ECONOMICS, PAPER-I

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

NOTE: (i) First attempt **PART-I (MCQs)** on separate **OMR Answer Sheet** which shall be taken back after **30 minutes.**
(ii) Overwriting/cutting of the options/answers will not be given credit.
(iii) There is **no negative** marking. All MCQs must be attempted.

PART-I (MCQs)(COMPULSORY)

Q.1. (i) Select the best option/answer and fill in the appropriate Box ☐ on the **OMR Answer Sheet.(20x1=20)**
(ii) Answers given anywhere else, other than OMR Answer Sheet, will not be considered.

1. **The elasticity of demand for cigarettes by a non-smoker is**
   (A) Unitary price elastic (B) Relatively price inelastic
   (C) Perfectly price elastic (D) Perfectly price inelastic
2. **Which of the following is not a basic assumption of perfect competition?**
   (A) Free entry and exit (B) Many small sellers and buyers
   (C) Perfect information (D) Homogenous product
3. **_____ is unemployment directly related to swings in the business cycle.**
   (A) Seasonal (B) Frictional (C) Cyclical (D) Structural
4. **Which of the following does not apply to Pareto efficiency?**
   (A) Consumptive efficiency (B) Productional efficiency (C) Allocative efficiency (D) Equity
5. **The marginal utility of a good refers to the:**
   (A) Total utility of the good prior to consumption of the last unit
   (B) Extra utility associated with consuming another unit of the good
   (C) Utility associated with consuming an alternative good
   (D) Consumer surplus associated with the consumption of an alternative good
6. **Disposable income is:**
   (A) The same as personal income (B) Income that is used only for consumption
   (C) Personal income remaining after income taxes (D) Exclusive of social security payments or welfare.
7. **A country that makes large net income payments to investors in another country is likely to:**
   (A) Have a large GDP than GNP (B) Have smaller GDP than GNP
   (C) Grow slower economically than the other country (D) grow faster economically than the other country.
8. **According to Keynes, the relationship between money supply and rate of interest is:**
   (A) Negative (B) Positive (C) Indirect (D) None of these
9. **Trade based on absolute advantage was presented by:**
   (A) Alfred Marshall (B) Adam Smith (C) Lionel Robbins (D) None of these
10. **The doctrine of comparative advantage says that there are gains from international trade:**
    (A) Only if both comparative and absolute advantage are present in both countries.
    (B) If opportunity costs are the same in the countries involved.
    (C) Only there are economies of scale available.
    (D) If countries specialize in the production of goods in which they are relatively more efficient.
11. **The Human Development Index (HDI) ranks all countries on the scale of:**
    (A) 0 to 1 (B) 1 to 100 (C) -1 to +1 (D) None of these
12. **Monopolistic Competition is different from Perfect Competition because of:**
    (A) The large number of firms in the industry; (B) The lack of barriers to the entry and exit of firms;
    (C) The differentiation of the product; (D) The lower level of price competition in Monopolistic Competition
13. **The account in balance of payment that consists of all transactions in financial assets is known as:**
    (A) Capital account (B) Current account (C) Official Reserve account (D) None of these
14. **LM curve represents:**
    (A) Equilibrium in goods market (B) Budget balance
    (C) Equilibrium in financial market (D) None of these
15. **Classical economics is the:**
    (A) Supply side economics (B) Demand side economics (C) Both (A) & (B) (D) None of these

16. **Which of the following is not a component of GDP?**
    (A) Consumption by households (B) Investment by firms
    (C) Public Spendings (D Rate of unemployment
17. **The relationship between inflation and unemployment is represented by:**
    (A) Okun's law (B) Philips curve (C) Say's law (D) U shape curve
18. **Increase in supply of money will positively affect:**
    (A) Economic growth of the country (B) Rate of unemployment
    (C) Labour force participation rate (D) Rate of inflation
19. **Automatic stabilizers are one of the _____ policy tools.**
    (A) Monetary (B) Trade (C) Fiscal (D) Investment
20. **The World Bank classifies countries into four groups. This classification is based upon:**
    (A) Economic growth rate (B) Labour force participation rate
    (C) Unemployment rate (D) Gross National Income per capita

PART-II

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) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the question will not be considered.

Q. No. 2. How can a consumer attain equilibrium under ordinal approach? Also explain the effects of changing income and prices on consumer's equilibrium in case of normal and inferior commodities. **(20)**

Q. No. 3. What are the different stages of production? Explain in the light of law of variable proportions using schedule and diagrams. **(20)**

Q. No. 4. Explain circular flow of national income in two sector, three sector & four sector economy. Discuss the methods by which national income can be measured. Also explain advantages & shortcomings of each method. **(20)**

Q. No. 5. Explain quantity theory of money (QTM) and elaborate significant ingredients for effective monetary policy to accelerate economic growth in developing countries. **(20)**

Q. No. 6. Elaborate different canons of taxation. How these canons can be used optimally? Suggest some policy options to maximize tax revenue in a developing country like Pakistan. **(20)**

Q. No. 7. Differentiate between economic growth and economic development by discussing traditional and modern measures of growth/development. **(20)**

Q. No. 8. Write short notes on any **FOUR** of the following: **(5 each)** **(20)**

a. Accelerator Principle
b. Price Discrimination
c. Balance of Payments
d. Human Development Index
e. Public VS Private Goods

****

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2025 FOR RECRUITMENT TO POSTS IN BS-17 UNDER THE FEDERAL GOVERNMENT

Roll Number

ECONOMICS, PAPER-II

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

NOTE: (i) First attempt **PART-I (MCQs)** on separate **OMR Answer Sheet** which shall be taken back after **30 minutes.**
(ii) Overwriting/cutting of the options/answers will not be given credit.
(iii) There is **no negative** marking. All MCQs must be attempted.

PART-I (MCQs)(COMPULSORY)

Q.1. (i) Select the best option/answer and fill in the appropriate Box ■ on the **OMR Answer Sheet. (20x1=20)**
(ii) Answers given anywhere else, other than OMR Answer Sheet, will not be considered.

1. **Which economist is associated with the concept of "Development as Freedom"?**
   (A) Paul Samuelson (B) Amartya Sen (C) Milton Friedman (D) None of these
2. **Which of the following was a key objective of Pakistan's land reforms?**
   (A) Increasing urbanization (B) Encouraging large-scale industrialization
   (C) Improving agricultural marketing (D) None of these
3. **A key criticism of Pakistan's privatization policy is:**
   (A) Reduced tax revenues (B) Lack of transparency and accountability
   (C) Over-regulation of privatized sectors (D) None of these
4. **The Agreement on Agriculture under the WTO primarily affects:**
   (A) Industrial subsidies (B) Export regulations
   (C) Domestic support and market access for agriculture (D) None of these
5. **Which of the following factors is most responsible for Pakistan's persistent balance of payments crisis?**
   (A) High reliance on remittances (B) Low export diversification and competitiveness
   (C) Inadequate foreign direct investment inflows (D) None of these
6. **The tax-to-GDP ratio in Pakistan has historically remained low due to:**
   (A) High reliance on indirect taxes (B) Over-dependence on agriculture
   (C) Lack of tax base documentation and enforcement (D) All of these
7. **Which of the following is a major constraint on Pakistan's industrial growth?**
   (A) Lack of skilled labor (B) Energy shortages (C) Weak infrastructure (D) All of these
8. **In terms of poverty alleviation, the main challenge for Pakistan has been:**
   (A) Ensuring equitable access to resources (B) Improving microcredit availability
   (C) Reducing rural-urban disparities (D) None of these
9. **The informal economy in Pakistan is estimated to contribute approximately what percentage to GDP?**
   (A) 10-20% (B) 30-40% (C) 45-55% (D) None of these
10. **Which of the following is the most significant factor affecting Pakistan's food security?**
    (A) Land ownership inequalities (B) Poor agricultural productivity
    (C) Climate change and water scarcity (D) None of these
11. **The Chinn-Ito index, often used in research on Pakistan's economy, measures:**
    (A) Industrial productivity (B) Capital account openness
    (C) Exchange rate stability (D) None of these
12. **Pakistan's economy is categorized as a:**
    (A) Low-income developing economy (B) Upper-middle-income economy
    (C) Lower-middle-income developing economy (D) None of these
13. **Pakistan's energy mix is heavily dependent on:**
    (A) Renewable energy sources (B) Imported oil and gas (C) Nuclear energy (D) None of these
14. **Water scarcity in Pakistan is primarily caused by:**
    (A) Mismanagement of water resources (B) Population growth and urbanization
    (C) Climate change impacts (D) All of these
15. **The primary reason for inefficiency in Pakistan's energy sector is:**
    (A) Overcapacity in energy generation (B) Transmission and distribution losses
    (C) High energy tariffs (D) None of these

16. **Which of the following best explains Pakistan's rising public debt burden in recent years?**
    (A) High interest rates on domestic borrowing
    (B) Excessive reliance on concessional foreign loans
    (C) Continuous primary deficits and depreciation of the Rupee (D) All of these
17. **A major implication of exchange rate misalignment in Pakistan has been:**
    (A) Rising export competitiveness and FDI inflows (B) Improved remittance inflows
    (C) Reduction in external debt burden (D) None of these
18. **Which of the following is a major criticism of foreign aid to Pakistan?**
    (A) Aid dependency discourages economic reforms
    (B) It increases corruption and political instability
    (C) Most aid is spent on non-productive sectors (D) All of these
19. **Foreign aid programs, such as the Kerry-Lugar-Berman Act, were designed to:**
    (A) Promote military cooperation between the US and Pakistan
    (B) Support development in Pakistan's education and energy sectors
    (C) Increase Pakistan's export potential in global markets (D) None of these
20. **Which SDG is particularly challenging for Pakistan, given its energy mix and economic structure?**
    (A) SDG 7: Affordable and Clean Energy (B) SDG 13: Climate Action
    (C) SDG 8: Decent Work and Economic Growth (D) All of these

****

PART-II

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) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the question will not be considered.

Q. No. 2. Critically evaluate why Pakistan's economic growth has been inconsistent over the decades. How do political stability and governance quality influence long-term growth prospects? **(20)**

Q. No. 3. "Pakistan's industrial policy has favored protectionism over competitiveness." Critically analyze this statement with examples from key industries. **(20)**

Q. No. 4. "Rising public debt in Pakistan is more a symptom of weak fiscal management than economic necessity." Discuss this statement critically. **(20)**

Q. No. 5. Discuss the role of exchange rate policy in stabilizing Pakistan's economy. What are the trade-offs involved? **(20)**

Q. No. 6. "Land reforms in Pakistan have been more symbolic than substantive." Critically examine this statement, with reference to their design, implementation, and outcomes. **(20)**

Q. No. 7. Pakistan's energy crisis is often termed as a governance failure rather than a resource issue. Critically evaluate this perspective. **(20)**

Q. No. 8. Write Notes on Any **Two** of the following (w.r.t. Pakistan): **(10 each)** **(20)**
- **a.** Digital Transformation and Economic Future
- **b.** Foreign Aid vs Foreign Trade Debate
- **c.** Interest Free Banking

****