

FEDERAL PUBLIC SERVICE COMMISSION



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

ECONOMICS, PAPER-I

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) 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)**
