

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:	(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)
