

ECONOMICS, PAPER-I

**FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION FOR
RECRUITMENT TO POSTS IN BPS-17 UNDER
THE FEDERAL GOVERNMENT, 2010**

Roll Number

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

- NOTE: (i) First attempt PART-I (MCQ) 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 (MCQ)
(COMPULSORY)

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

- (i) Demand curve in case of Giffen good is:
 (a) Negatively sloped (b) Vertical
 (c) Positively sloped (d) None of these
- (ii) Price consumption curve in case of complementary goods is:
 (a) Downward sloping (b) Vertical
 (c) Upward sloping (d) None of these
- (iii) In case of two goods, following utility approach, a consumer is in equilibrium when:
 (a) $MU_x/P_x = MU_y/P_y$ (b) $MU_x/P_x < MU_y/P_y$
 (c) $MU_x/M_x > MU_y/P_y$ (d) Both (b) and (c)
- (iv) In short run:
 (a) Labour is variable (b) Both labour and capital are variable
 (c) Both labour and capital fixed (d) None of these
- (v) When MC is equal to AC, the AC:
 (a) Increases (b) Decreases
 (c) Remains constant (d) None of these
- (vi) Normal profit, excess profit and loss of the firm depends on level of:
 (a) Average costs in short run (b) Total costs in short run
 (c) Marginal costs in short run (d) All of these
- (vii) In case of perfect competition, the sellers are:
 (a) Two (b) A few
 (c) Very large (d) None of these
- (viii) The firm is in equilibrium when:
 (a) Slope of TC = Slope of TR (b) Slope of TC is less than slope of TR
 (c) Slope of TC is more than slope of TR (d) None of these
- (ix) The Marginal Revenue Product of labour MRP_L is:
 (a) $MR \times MP$ (b) MR / MP
 (c) $MR - MP$ (d) Both (b) and (c)
- (x) In case of imperfect competition the MRP_L is the:
 (a) Supply of labour curve (b) Demand for labour curve
 (c) Both of these (d) None of these
- (xi) Per Capita Income is calculated as:
 (a) $N.I + Population$ (b) $N * Population$
 (c) $N.I / Population$ (d) Both (a) and (c)
- (xii) Gross Domestic Product equals:
 (a) $GNP - NFI$ (b) $GNP + NFI$
 (c) $GNP - indirect taxes$ (d) Both (a) and (c)
- (xiii) The deposit multiplier is always:
 (a) Greater than one (b) Less than one
 (c) Equal to one (d) None of these
- (xiv) Money can be a standard of deferred payments only if the value of money itself:
 (a) Remains stable (b) increases
 (c) Decreases (d) None of these

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- (xv) The fiscal policy with a deliberate policy action is:
(a) Expansionary fiscal policy (b) Concretionary fiscal policy
(c) Discretionary fiscal policy (d) All of these
- (xvi) Trade based on absolute advantage was presented by:
(a) Alfred Marshall (b) Adam Smith
(c) Lionel Robbins (d) None of these
- (xvii) According to Keynes, the relationship between money supply and rate of interest is:
(a) Negative (b) Positive
(c) Indirect (d) None of these
- (xviii) An object that is generally accepted in exchange for goods and services is called:
(a) Standardized money (b) Medium of exchange
(c) Unit of account (d) All of these
- (xix) 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
- (xx) The difference between exports and imports of visible items of a country is called:
(a) Budget surplus (b) Balanced budget
(c) Balance of trade (d) Both (a) and (c)

PART – II

NOTE:	<p>(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) Extra attempt of any question or any part of the attempted question will not be considered.</p>
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- Q.2.** What is Consumer's Equilibrium? How a consumer can be in equilibrium under Ordinal Approach? **(20)**
- Q.3.** How is a firm's demand curve for a particular variable factor input constructed when there is (i) only one variable input, (ii) two variable inputs in the productivity process? **(20)**
- Q.4.** What is National Income? Define and explain different concepts of National Income. **(20)**
- Q.5.** What is the equation of exchange and the velocity of circulation? What assumptions are necessary to make the equation of exchange the quantity theory of money? **(20)**
- Q.6.** Differentiate Balance of Payments and Balance of Trade. What are the transactions that are recorded in the current account and the capital account? **(20)**
- Q.7.** Explain the theory of comparative cost by David Ricardo. **(20)**
- Q.8.** Define the concept and methods of deficit financing. What are the reasons for deficit financing in Pakistan? **(20)**
