

# FEDERAL PUBLIC SERVICE COMMISSION

## COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS IN BPS-17, UNDER THE FEDERAL GOVERNMENT, 2005

### ECONOMICS, PAPER-I

TIME ALLOWED: THREE HOURS

MAXIMUM MARKS: 100

NOTE: Attempt FIVE questions in all, including QUESTION NO.8, which is  
COMPULSORY. All questions carry EQUAL marks.

- 1 The major economic problem in a society is not the volume of Production from scarce resources but rather how the resulting Products are distributed among the consumers in a society. Discuss?
- 2 In any economic system decision regarding how to allocate scarce resources among competing uses is performed with help of price mechanism? How will you determine the ability of an economy to to reach a rational decision.
- 3 Equilibrium level of National income is at the point of effective demand. Higher the level of effective demand, higher will be the level of income and employment in the economy. Taking leakages and injection approach when  $C+I > C+S$ , when  $C+I = C+S$ , and when  $C+I < C+S$ . Demonstrate your answer diagrammatically
- 4 Liquidity preference theory is the Keynesian view why people want to hold liquid funds .State the motives in support of the liquidity preference in an Economy. How will you describe supply of money and distinguish between Narrow money and Broad money.
- 5 The managers of the exchequer explained the economic policies in term of driving cars. Maintaining a correct relationship between the pressure of demand and the capacity of the economy to meet the demand, the govt. is supposed to touch the accelerator (reduce taxes), to touch the brakes (increase taxes) if demand was running fast. What just system you can propose to deal with the situation. Suggest the constraints you will face.
- 6 To join hands with the communities of nations Pakistan trading advantage can only be in least cost combination and constantly improving quality of its products . Agriculture sector must be industrialized as much as possible with effective land reform. Comment?
- 7 State the aims of International Monetary Fund and give its principal functions Do you think that the prescriptions suggested by the IMF benefit the developing countries more or deprive them of the existing facilities?

**ECONOMIC. PAPER-I**

**COMPULSORY QUESTION**

8 write only the correct answer in answer book. Do not reproduce the question.

- 1 which cause the demand curve for a good to move to the right,  
A A decrease in the cost of production.  
B A fall in the price of the good.  
C An increase in the price of a complimentary good.  
D An increase in the price of a close substitute good.
- 2 If an economy experiences an increase in productivity, it means that;  
A The level of output has risen.  
B employees are working harder than before.  
C output per unit of input has risen.  
D technical change has taken place.
- 3 The central economic problem in an economy refers to;  
A The prevalence of unemployment.  
B to allocate scarce resources between competing uses.  
C Consumers having less money than they would like.  
D ensures that production costs are covered by sales revenue.
- 4 If the price elasticity for a product is -2, a 10 % fall in its price will;  
A Decrease total revenue by 20 %  
B Increase sales volume by 10 %  
C increase sales volume by 20%.  
D increase total revenue by 20 %
- 5 Average cost curve rises after a certain level of output because of  
A Diseconomies of scale of production.  
B Law of decreasing returns.  
C Diminishing marginal utility.  
D rise in price of factor of production.
- 6 which one of the following will tend to increase the degree of Competition in an industry.  
A product differentiation.  
B Horizontal integration.  
C Economies of scale.  
D low fixed costs.
- 7 A rise in the interest rate can lead to all except which one,  
A Fall in the share prices.  
B A rise in investment.  
C A rise in exchange rate.  
D A shift of income from borrowers to savers

**ECONOMIC. PAPER-I:**

- 15 which one of the following is most likely to lead to a fall in the money supply.
- A A fall in the interest rates .
  - B Purchase of government securities by the state Bank.
  - C Sale of government securities by the state Bank.
  - D A rise in the amount of cash held by commercial banks.
- 16 the real rate of interest is ,
- A the rate at which the central bank lends to financial institutions.
  - B Bank base rate.
  - C the difference between the rate of interest and the rate of inflation.
  - D the annual percentage rate of interest
- 17 Public sector borrowing requirement is best defined as ,
- A the borrowing by the general public over the period of a year.
  - B to finance the difference between a country's exports and imports.
  - C the amount of taxation and borrowing needed to finance public expenditure.
  - D the difference between government expenditure and its revenue from taxation.
- 18 Multi - national company is best described as one which,
- A engages extensively in international trade.
  - B Sells its output in more than one country.
  - C Produces goods or services in more than one country.
  - D Is owned by share holders in more than one country.
- 19 Which of the following is not an economic advantage of international trade
- A It encourages specialization.
  - B Consumer choice is widened.
  - C industry secure economies of large scale production.
  - D trade surpluses can be used to finance the budget deficit.
- 20 which of the following cause most likely a country's balance of payments to move towards a deficit.
- A devalue the country's currency.
  - B the expansionary fiscal policy.
  - C A contractionary fiscal policy.
  - D a rise in the rate of domestic saving.

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**ECONOMIC PAPER-I:**

- 8 if demand is inelastic, which of the following statement is correct.
- A If price of the good rises, the total revenue earned will increase.
  - B If price of the good rises, the total revenue earned will fall.
  - C If price of the good falls, the total revenue earned will increase.
  - D If price of the good falls, the total revenue earned is unaffected.
- 9 which would shift the production possibility frontier to the right.
- A A fall in unemployment.
  - B An increase in exports.
  - C A rise in total consumer expenditure.
  - D technical progress reducing production costs.
- 10 A fiscal expansion is most likely to reduce unemployment when,
- A there is high marginal propensity to consume.
  - B there is high marginal propensity to save.
  - C structural unemployment.
  - D there is fixed exchange rate.
- 11 Economic welfare refers to;
- A An increase in state welfare payment.
  - B a rising standard of living.
  - C Increased employment opportunities.
  - D increase in health and education services.
- 12 In calculating National income, double counting can be avoided by.
- A deducting taxes and adding subsidies.
  - B deducting imports and adding exports.
  - C excluding the value of the output of intermediate goods.
  - D excluding the value of transactions in second hand goods.
- 13 Government wish to control inflation because it,
- A tends to reduce government tax revenue.
  - B Causes money supply to expand.
  - C damages international competitiveness.
  - D shift income towards holders of financial assets.
- 14 if the exchange rate of currency fell, the result would be that export prices ,
- A measured in the domestic currency would fall.
  - B measured in the domestic currency would rise.
  - C measured in foreign currency would fall.
  - D measured in foreign currency would rise.

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**ECONOMICS, PAPER-II**

**TIME ALLOWED: THREE HOURS**

**MAXIMUM MARKS: 100**

**NOTE:** Attempt FIVE questions in all, including QUESTION NO.8, which is COMPULSORY. All questions carry EQUAL marks.

- 1 Economic development is an innovative process leading to structural transformation of social systems. It is a phenomenon known for the transmutation of existing conditions by expanding the socio physical infra-structure of an economy for improving the quality life of the masses. It can be achieved only through proper implementation of a well woven plan. Examine the statement?
- 2 Capital widening and Capital deepening requires the capital stock to grow faster than the labourforce. It is time we must change our priorities, unless it is properly developed, tangible results cannot be realized. Discuss with reference to power and communication sector. Give suggestions.
- 3 National planning in Pakistan has faced numerous upheavals which has subjected the national process of planning to many ups and downs, which consequently lead the economy to search new strategy of diversified sources of external assistance. That is why planning process did not reflect any clear cut vision of a socio economic policy. ? Critically examine the statement?
- 4 Foreign direct investments are not flowing-in any sizable extent. With tight situation in terms of availability of assistance, can we raise sufficient revenue to cover our development and non development expenditure. How can we do it? Suggest measures?
- 5 The economy needs new directions based on long term self reliance. The time has come to deal with causes and cures of mass poverty. National income determines the economic status of a country's economy. Signify the National income in a country?
- 6 we have plenty of economic potentials but what is lacking and lagging behind is the competency and capability to utilize the hard earned scarce resources . The rich have learned it and have started walking on the tight rope. Now their problem is not to study the pros and cons of their productive sectors, rather have focused attention on exploring multiple opportunities. Discuss?
- 7 When we look into the past, we find that industrial sector has resulted in a low or negative productivity , operating below Break Even Point, causing all its working and paid up capital under financial constraints with no possibility of capital returns. What is needed is the creation of conducive environment. Suggest the remedial measures for environment management in an economy.

Contd.....P/2



**COMPULSORY QUESTION**

- 8 Write only the correct answer in the answer book . Do not reproduce the whole question.
- 1 The greatest requirement for economic development is ;  
A to sacrifice present enjoyment for tomorrow's benefits.  
B Increase in National income.  
C invention and innovation in all productive sectors.  
D mechanization of agriculture.
- 2 Per Capita output would probably rise but output per worker would fall if;  
A Capital deepening occurred rapidly.  
B Labour force participation rate of the population rose.  
C technical education of the work force increased.  
D Involuntary saving was increased.
- 3 Most of underdeveloped countries are agricultural with low income and needs ;  
A increase in income of the people depends upon agricultural output.  
B Land can be owned collectively.  
C land can be owned by large capitalist farmers.  
D land can be owned by laborers who till it.
- 4 Voluntary saving will most likely increase if,  
A Tax rates are increased.  
B interest rate rise.  
C distribution of income becomes more unequal.  
D the rate of inflation increases.
- 5 Economic growth;  
A is synonymous with economic development.  
B refers to qualitative change experienced by an economic system.  
C when an economic system acquires greater productive capacity.  
D always result in increased real per capita output.
- 6 Capital deepening;  
A is an increase in the ratio of labour to capital.  
B necessarily increases real per capita output.  
C is less likely to be effective in fostering growth in rich countries than in poor countries.  
D Can occur when saving rates are zero.
- 7 Interest of the developed world in the development of under developed economies on;  
A general political freedom and promotion of free societies.  
B if world is not free their freedom would be in danger.  
C they want to stop and check tyranny and aggression.  
D. developed countries need customers for their surplus production.

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- 8 GNP at factor cost may be best defined as
- A the total of goods and services produced within an economy over a give time period.
  - B the total of expenditure of consumers on domestically produced goods and service.
  - C all incomes received by residents in a country in return for factor services provided domestically and abroad.
  - D the value of total output produced domestically plus net property income from abroad minus capital consumption.
- 9 which one of the following is a transfer payment in National income accounting.
- A Educational scholarships.
  - B Salaries of employees
  - C Payments for text books.
  - D Payment for examination fee.
- 10 which is the basic concept which underlies accelerator theory of investment
- A investment depends on the level of savings
  - B investment is inversely related to the rate of interest.
  - C investment is determined by the volume of Commercial Bank Lending.
  - D investment rises when there is an increase in the rate of growth of demand in the economy.
- 11 which one of the following would cause a fall in the level of aggregate demand in the economy.
- A a decrease in the level of imports.
  - B a fall in the propensity to save .
  - C a decrease in government expenditure.
  - D a decrease in the level of income tax .
- 12 Capital formation remained very low in Pakistan due to
- A low saving rate.
  - B Savings are not fully invested.
  - C Money and capital market are not stable.
  - D due to high rate of inflation purchasing power is very low.
- 13 Efficient allocation of resources in an economy occurs whenever;
- A Prices is equated to Marginal social cost in some units.
  - B Income and wealth are distributed in a fair way.
  - C there is full employment of resources.
  - D the existing resource allocation cannot be changed without making it worse off.

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**ECONOMICS, PAPER, II:**

- 14 when a worker earns more than the just sufficient to keep him in his job, the excess income is called;
- A An opportunity cost.
  - B An economic rent.
  - C Transfer earnings.
  - D Surplus value.
- 15 there are 5 workers working in a field and each one is paid at the rate of Rs. 200 / = per day. Later on raising wage rate by Rs. 50/= per day to attract one more worker . If other costs remain constant, marginal input cost of employing the additional worker is ;
- A Rs. 400 / =
  - B Rs. 50 / =
  - C Rs. 700 / =
  - D Rs. 300
- 16 If state wishes to stimulate consumption , which one of the following measures be the most effective;
- A Increase in aid to agriculture and industry.
  - B an increase in old age pension.
  - C A decrease in higher rates of income tax.
  - D A decrease in personal tax allowances.
- 17 the incidence of tax refers to ;
- A who economically bear the burdon of the tax.
  - B the canons of taxation.
  - C type of tax , direct or indirect tax.
  - D whether the tax is continuously or periodically levied.
- 18 During the inflationary period ,when income tax revenue rises faster than National income, this illustrates;
- A the situation of unemployment trap.
  - B the poverty trap.
  - C fiscal boost.
  - D fiscal drag.
- 19 A balance of payment surplus may cause;
- A employment and the money supply to rise.
  - B the money supplies to fall.
  - C employment to rise and the money supply to fall.
  - D employment and the money supply to fall.
- 20 Green revolution refers to;
- A introduction of modern technology.
  - B reforms in land tenure system.
  - C Introduction of agro-based industry.
  - D Boosting exports of agricultural products