

**ECONOMICS, PAPER-II**

**FEDERAL PUBLIC SERVICE COMMISSION  
COMPETITIVE EXAMINATION FOR  
RECRUITMENT TO POSTS IN BPS-17 UNDER  
THE FEDERAL GOVERNMENT, 2009**

**ECONOMICS, PAPER-II**

S.No.	
R.No.	

<b>TIME ALLOWED:</b>	<b>(PART-I) 30 MINUTES</b>	<b>MAXIMUM MARKS:20</b>
	<b>(PART-II) 2 HOURS &amp; 30 MINUTES</b>	<b>MAXIMUM MARKS:80</b>

**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) Ceteris paribus is a Latin term meaning:
    - (a) “one by one”
    - (b) “equal under the law.”
    - (c) “other things being equal.”
    - (d) “in accordance with the law.”
  - (ii) The slope of a curve is:
    - (a) constant in the case of a straight line
    - (b) positive in the case of a direct relationship
    - (c) negative in the case of an inverse relationship
    - (d) equal to the change in vertical movement divided by the change in horizontal movement.
  - (iii) If the quantity of X increases whenever the price of X decreases, one can conclude that:
    - (a) the relationship between the price and the quantity of X is direct
    - (b) the relationship between the price and the quantity of X is inverse
    - (c) the relationship between the price and the quantity of X is linear
    - (d) the relationship between the price and the quantity of X is nonlinear
  - (iv) A simultaneous decrease in demand and supply will always result in:
    - (a) a decrease in the equilibrium price
    - (b) an increase in the equilibrium price
    - (c) a decrease in the equilibrium quantity
    - (d) an increase in the equilibrium quantity
  - (v) 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
  - (vi) When a firm is experiencing economies of scale:
    - (a) the MP curve slopes upward
    - (b) the LRAC curve slopes downward
    - (c) diminishing returns to labor have been suspended
    - (d) the MC curve slopes downward
  - (vii) Actual GDP may exceed potential GDP for a short period of time when:
    - (a) the unemployment rate is high
    - (b) plants run extra shifts that ordinarily are not scheduled.
    - (c) plants are shut down to remove old equipment and install new equipment
    - (d) any or all of the above occur.
  - (viii) An example of frictional unemployment is:
    - (a) workers at General Motors plants laid off because of slow car sales.
    - (b) steel workers laid off by plant closings.
    - (c) a teenager who has quit work at McDonald’s waiting to take a job next week at the car wash
    - (d) Inner-city welfare mothers taking classes to earn high-school equivalency degrees.
  - (ix) If inflation is expected to be 5 percent in the coming year and the nominal interest rate is 8 percent, then the real interest rate is:
    - (a) –3 percent
    - (b) 3 percent
    - (c) 8 percent
    - (d) 13 percent
  - (x) Which of the following is included in GDP as currently measured?
    - (a) food stamps
    - (b) used car sales
    - (c) additions to inventories
    - (d) purchases of Ford stock
  - (xi) 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.

**ECONOMICS, PAPER-II**

- (xii) The difference between GNP and GDP is:
  - (a) net factor payments to foreigners
  - (b) indirect business taxes paid to all levels of government
  - (c) net exports of goods and services.
  - (d) capital consumption allowances.
- (xiii) 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.
- (xiv) Which of the following would be the best measure of changes in the standard of living in an economy, expressed in a time series?
  - (a) real GDP
  - (b) output per labor hour of output
  - (c) real GDP per capita
  - (d) nominal GDP per capita
- (xv) An MPC of less than 1 means that an increase in current disposable income would cause desired consumption expenditures to:
  - (a) rise by less than full increase in disposable income.
  - (b) fall slightly because the increase in income will increase saving.
  - (c) rise by the full increase in disposable income.
  - (d) stay the same because the MPS is also less than 1.
- (xvi) For money to serve as an efficient medium of exchange, it must have all but which of the following characteristics?
  - (a) general acceptability
  - (b) convertibility into precious metals
  - (c) high value relative to its weight
  - (d) divisibility
- (xvii) A bond that pays interest forever and never repays the principals is called a:
  - (a) perpetuity
  - (b) preferred share
  - (c) fixed-term bond
  - (d) treasury bill
- (xviii) If given the same amount of inputs, U.S farmers produce 2 tons of rice per acre while Japanese farmers produce 1 ton of rice per acre, we can be certain that:
  - (a) the United States should export rice to Japan.
  - (b) the United States has a comparative in rice production.
  - (c) the United States has an absolute advantage in rice production.
  - (d) Japanese farmers must be paid twice as much as American farmers.
- (xix) 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.
- (xx) The terms of trade are measured by:
  - (a) the quantity of imported goods that can be obtained for each unit of an exported good.
  - (b) the ratio of the price of imports to the price of exports.
  - (c) the value of imported goods that can be obtained for each dollar of exported goods.
  - (d) all of the above.

**PART – II**

<b>NOTE:</b>	<p>(i) <b>PART-II</b> is to be attempted on the separate <b>Answer Book</b>.</p> <p>(ii) Attempt <b>ONLY FOUR</b> questions from <b>PART-II</b>. All questions carry <b>EQUAL</b> marks.</p> <p>(iii) Extra attempt of any question or any part of the attempted question will not be considered.</p>
--------------	---

- Q.2.** Discuss the Agriculture Policy of Pakistan keeping in view the World Trade Organization. (20)
- Q.3.** Examine the Monetary Policy of Pakistan to reduce the inflation. (20)
- Q.4.** Discuss the critical role of Industrial sector in the economic development of Pakistan. (20)
- Q.5.** What are the sources of External Finance for the development of Pakistan economy? Explain **ANY TWO** of them. (20)
- Q.6.** Discuss the Agricultural Taxation of Pakistan. Do you support the Agriculture Tax? Give reasons. (20)
- Q.7.** Critically examine the Balance of Payments account of Pakistan. (20)
- Q.8.** Write short notes on **ANY TWO** of the following: (20)
  - (i) Transport and communication
  - (b) Privatization in Pakistan
  - (c) Energy & Fuel

\*\*\*\*\*