

FEDERAL PUBLIC SERVICE COMMISSION



COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS IN BS-17 UNDER THE FEDERAL GOVERNMENT, 2013

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 OMR 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. (i) Select the best option/answer and fill in the appropriate Circle ● on the OMR Answer Sheet. (20x1=20)
(ii) Answers given anywhere, other than OMR Answer Sheet, shall not be considered.

- Income elasticity of demand for an inferior good is:
(a) Positive (b) Zero (c) Both (a) & (b) (d) None of these
- Convexity means averages are _____ than extremes:
(a) Worse (b) Positive (c) Better (d) None of these
- Sum of MPC and MPS equals:
(a) 2 (b) 3 (c) 4 (d) None of these
- During the Liquidity Trap, LM curve is:
(a) Less elastic (b) Positive (c) Perfectly elastic (d) None of these
- The dominant factor of production is:
(a) Energy (b) Labour (c) Technology (d) None of these
- GDP deflator is a ratio between:
(a) Input prices (b) Output prices (c) Both (a) & (b) (d) None of these
- During monopoly, the equilibrium condition is:
(a) $MC=P$ (b) $MC>MR$ (c) $MC=MR$ (d) None of these
- During perfect competition, the firm would earn a normal profit when:
(a) $AC>AR$ (b) $AR<AC$ (c) $P=MP$ (d) None of these
- Roy's identity is applied on:
(a) Food (b) Bread (c) Utility (d) None of these
- The following is the narrowest measure of supply of money:
(a) M2 (b) M3 (c) M1 (d) None of these
- A positive externality in which a consumer wishes to possess a good in part because others do:
(a) Supply (b) Concavity (c) Money demand (d) None of these
- The profit function is of:
(a) Homogeneous of degree = 1 (b) Homogeneous of degree = 2
(c) Homogeneous of degree = 0 (d) None of these
- The derivative of cost function with respect to output price provides:
(a) Input supply function (b) Output supply function
(c) Both (a) & (b) (d) None of these
- A strategy that is optimal, no matter what an opponent does:
(a) Dominant firm (b) Duopoly (c) Dominant strategy (d) None of these

ECONOMICS, PAPER-I

15. A devaluation of a currency takes place under
(a) Flexible exchange rate (b) Fixed exchange rate
(c) Clean floating system (d) None of these
16. Nominal interest rate is:
(a) Inflation minus Tax (b) Tax plus Indirect Tax
(c) Real interest rate minus Inflation (d) None of these
17. An un-anticipated increase in money supply is neutral during:
(a) Short run period (b) Medium run period
(c) Both (a) & (b) (d) None of these
18. A rise in general price level shifts the LM curve:
(a) Down and to the right (b) Up and to the left
(c) Positively sloped (d) None of these
19. Decrease in tax shifts the IS curve:
(a) Down and to the left (b) Negatively sloped
(c) Up and to the right (d) None of these
20. Gross National Product is:
(a) GDP - NNP (b) NFA - GNI (c) GDP - NX (d) None of these

PART-II

NOTE: (i) **Part-II** is to be attempted on the separate **Answer Book**.
(ii) Candidate must write **Q. No.** in the **Answer Book** in accordance with **Q. No.** in the **Q. Paper**.
(iii) Attempt **ONLY FOUR** questions from **PART-II**. **ALL** questions carry **EQUAL** marks.
(iv) Extra attempt of any question or any part of the attempted question will not be considered.

- Q. No.2.** Under perfect competition, how the firms earn abnormal and normal level of profits both in the short run and long run period? Explain with suitable diagrams. (20)
- Q. No.3.** In the face of substantial crowding out, which will be more successful – fiscal or monetary policy? Explain in detail. (20)
- Q. No.4.** What are the problems of excess sensitivity and excess smoothness? Does their existence disproves or invalidates the LC-PIH? Explain. (20)
- Q. No.5.** As per Keynesian analysis, an increase in government spending raises the aggregate demand, so the fiscal policy by itself can be a source of inflation. Is this statement true, false or uncertain? Explain. (20)
- Q. No.6.** What is meant by public expenditure growth? What are various causes of expenditure growth? Explain. (20)
- Q. No.7.** What is the economics of dumping? Explain in detail. (20)
- Q. No.8.** Differentiate and explain monetary policy multiplier and fiscal policy multiplier? (20)
