

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.	

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) 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.

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- (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

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