

# FEDERAL PUBLIC SERVICE COMMISSION

COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS  
IN BPS-17 UNDER THE FEDERAL GOVERNMENT, 2001.

## 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. What is the most important determinant of consumer spending? Are there determinants other than the one mentioned above? If so, explain.
2. "GNP is a monetary measure". Explain. In what way is GNP different from GDP? Describe two important methods of measuring GDP.
3. What is the Multiplier Effect? What relationship does the marginal propensity to consume (MPC) bear to the Multiplier and the marginal propensity to save (MPS)? What will the size of Multiplier be when the MPS is 0, 0.4, 0.6 and 1?
4. What items constitute money supply in Pakistan? What determines value of money and why is it important for money supply to be elastic i.e. capable of increasing/decreasing in size?
5. "When a commercial bank makes loan, it creates money; when loans are retired, money is destroyed". Explain.
6. What is deficit financing? Why is it resorted to in developing countries like Pakistan?
7. Import tariff protection was used as a forceful policy instrument in the past to establish investment priorities in the developing countries. Discuss the economic implications of reducing import tariff to the minimum globally under auspices of WTO Conventions to which Pakistan is a signatory.

## COMPULSORY QUESTION

8. Write only the correct answers in the Answer Book. Do not reproduce the questions.
  - (1) Budgetary Deficit refers to:
    - (a) Total Revenue Receipts minus Total Expenditures
    - (b) Fiscal Deficit minus Interest Payments
    - (c) Total Receipts (Revenue Account + Capital Account) Minus Total Expenditures (Revenue + Capital)
    - (d) None of the above.
  - (2) Increase in the number of buyers in the market would lead to a shift of the demand curve to:
 

(a) the right	(b) the left
(c) upwards along the curve	(d) None of the above.

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- (3) Balance of Trade Deficit refers to:
- (a) Excess of payments for import of goods and services over receipts from exports of goods and services
  - (b) Excess of receipts from commodity exports minus payments for imports of goods
  - (c) Payments for commodity imports minus receipts from commodity exports
  - (d) None of the above.
- (4) A monopolist gains more if:
- (a) elasticity of demand for his product is low comparatively
  - (b) elasticity of demand for his product is high comparatively
  - (c) demand elasticity does not change.
  - (d) None of the above.
- (5) Devaluation of Pak. Rupee in the 1990's led to:
- (a) Increase in exports
  - (b) Increase in imports
  - (c) Increase in both exports and imports
  - (d) None of the above.
- (6) Most sophisticated models of economics growth are based on:
- (a) realistic assumptions
  - (b) unrealistic assumptions
  - (c) on assumptions, at least some of which are extremely difficult to be proved as valid
  - (d) None of the above.
- (7) Real GDP refers to:
- (a) GDP, at constant prices
  - (b) GDP, at current prices over time
  - (c) GDP, at nominal prices over time
  - (d) None of the above.
- (8) Terms of trade refer to:
- (a) unit price for commodity import
  - (b) Value of exports vs Value of imports
  - (c) Exchange rate applicable to foreign trade of a country
  - (d) None of the above.
- (9) Cost - push inflation is the result of:
- (a) increase in the production cost
  - (b) increase in the price of industrial production
  - (c) escalation of international prices
  - (d) None of the above.
- (10) Competitive market comprises:
- (a) large number of buyers
  - (b) large number of firms
  - (c) large number of both buyers and producers
  - (d) None of the above.
- (11) A monopolist maximizes his profit at a point where:
- (a) His average cost curve meets the marginal revenue curve
  - (b) His marginal cost = marginal revenue
  - (c) His average cost = market price of market
  - (d) None of the above.

- (12) Under perfect competition, a firm would maximize profit at a point where:  
 (a) average revenue = average cost  
 (b) marginal cost = average revenue  
 (c) marginal cost = marginal revenue  
 (d) None of the above.
- (13) Foreign trade differs from domestic trade:  
 (a) because of terms of trade  
 (b) due to differences in production costs  
 (c) because of territorial differences  
 (d) None of the above.
- (14) World Trade Organization is:  
 (a) the same thing as UNCTAD  
 (b) the same as WHO  
 (c) a replacement of UNCTAD  
 (d) None of the above.
- (15) Major sources of revenue in Pakistan's Budget:  
 (a) have not changed in the 1990's  
 (b) have drastically changed in the nineties  
 (c) have changed slightly in the nineties  
 (d) None of the above.
- (16) Main heads of expenditure in Pakistan's Budget (in ascending order) are:  
 (a) Foreign debt, Development, Defence  
 (b) Defence, foreign debt, development  
 (c) Development, Defence and foreign debt  
 (d) None of the above.
- (17) Increase in Foreign Exchange reserves causes:  
 (a) inflation (b) deflation  
 (c) No increase in price level (d) None of the above.
- (18) Pakistan's Budget deficit is financed by:  
 (a) Revenue Budget surplus  
 (b) Borrowings (both bank and non-bank)  
 (c) Foreign resource inflow  
 (d) None of the above.
- (19) Most important economic indicator of the health of an economy is:  
 (a) Income per capital (b) National output  
 (c) Literacy rate (d) None of the above.
- (20) Most important catalyst in economic growth is:  
 (a) savings and investment (b) technology and skills  
 (c) both at (a) and (b) (d) None of the above.

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**FEDERAL PUBLIC SERVICE COMMISSION**

**COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS  
IN BPS-17 UNDER THE FEDERAL GOVERNMENT, 2001.**

**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. Discuss the role of foreign aid in the development strategy of Pakistan development budget.
2. What are characteristic reasons of the failings of economic planning in Pakistan?
3. Amplify to differentiate the terms -of GNP and GDP and discuss the contribution of agriculture sector v/s industrial sector in the GDP of Pakistan.
4. Write an essay on the scope of introduction of interest free banking in Pakistan.
5. What do you know of tax reforms in Pakistan in recent months? What are the basic reasons of the failure of increasing the tax-net?
6. Clarify the distinction between any two of the following:
  - (a). Public Finance v/s Private Finance
  - (b). Foreign Remittances vis Export Earnings
  - (c). Agriculture tax vis Value added tax.
  - (d). Budget estimates vis PSDP.
7. What do you understand of cash crops? What important role cash crops play, in export earnings of Pakistan?

**COMPULSORY QUESTION**

8. Write the correct answer in the answer book. Do not reproduce the question.

(A)

- (1) External debt servicing is greater than:
  - (a) Social sector spending
  - (b) Defense spending
  - (c) Agriculture servicing
  - (d) Industrial sector investment
  - (e) None of these.
- (2) Pakistan foreign earnings largely depends on:
  - (a) Agricultural products
  - (b) Industrial products
  - (c) Overseas Pakistanis remittances
  - (d) Software exports
  - (e) None of these.
- (3) Nationalization of 70s in Pakistan has done:
  - (a) More good to the economy
  - (b) More harm to the economy
  - (c) Has not affected the economy substantially
  - (d) Has not been effective considerably
  - (e) None of these.
- (4) The largest revenue collection is through:
  - (a) Income tax
  - (b) GST
  - (c) Customs duty
  - (d) Wealth tax.
  - (e) None of these.

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**ECONOMICS, PAPER-I**

- (5) Per-capita income in Pakistan in the last 5 years is:  
(a) Increasing substantially (b) Decreasing marginally  
(c) Constant largely  
(d) Increasing in the first two years, but decreasing in the subsequent three years.  
(e) None of these.
- (6) The economic growth rate in Pakistan in the last 5 years is:  
(a) Declining in trend (b) Static almost  
(c) Increasing flatulently (d) Improving constantly  
(e) None of these.
- (7) The GDP growth in Pakistan largely depends on:  
(a) Manufacturing sector (b) Agricultural sector  
(c) Service sector (d) None of these.
- (8) Large scale manufacturing sector growth rate in Pakistan in the last financial year was about:  
(a) 15% (b) 10% (c) 5% (d) 0% (e) None of these.
- (9) Which is the highest body to approve the public sector financial outlay.  
(a) DDWP (b) CDWP  
(c) ECNEC (d) NEC (e) None of these.
- (10) Education spending as share of the budget in Pakistan is nearly:  
(a) 15% (b) 12% (c) 10% (d) 8% (e) None of these.

(B) Indicate either the following statements are true or false. Explain your answer.

- (11) Due to inflation the nominal GNP of Pakistan is increasing while its real GNP is falling.
- (12) Since the freezing of Foreign accounts, GDP of Pakistan is greater than its GNP.
- (13) Pakistan's balance of trade is in deficit owing to continue devaluation of the Pak Rupee.
- (14) In contrast to "Heckschers-Ohlin" theorem Pakistan is exporting labour intensive goods while importing capital-intensive commodities.
- (15) The privatization commission of Pakistan is in fact a follow-up of demand side policy.
- (16) The establishment of Khushali Bank is a follow-up of supply side policy.
- (17) The failure of monetary policy in Pakistan owing to less sensitivity of investment demand to rate of interest.
- (18) Due to tax consumption allowance, the government employees in Pakistan are in fact paying low tax per Rupees earned.
- (19) Devaluation of Pak currency definitely causes an increase in foreign debt in real terms, but not in nominal terms.
- (20) Government of Pakistan mainly borrows from general public by selling its securities.

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FEDERAL PUBLIC SERVICE COMMISSION

COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS  
IN PBS-17, UNDER THE FEDERAL GOVERNMENT, 2002

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. Why is equality of Marginal Revenue and Marginal Cost essential for profit maximization in all market structures? Examine the significance of this equality in the theory of the firms.
2. "Planned Investment is equal to Savings at all levels of NNP; actual investment equals savings only at the equilibrium NNP". Do you agree? Explain.
3. What role can the Central Bank play in promoting economic growth with stability? Illustrate your answer with reference to Pakistan.
4. "The Modern tendency in economic thinking is to discard the old notion of the quantity of money as the sole determinant of the value of money". Elucidate.
5. Do you agree that indirect rather than direct taxation will provide large public revenue needed in a developing economy? Explain.
6. Explain the concept of Terms of Trade. How do you account for the deterioration of terms of trade of a developing country like Pakistan?
7. Evaluate the following statements:
  - (a) If a product improves in quality from one year to the next year and its price rises to reflect this improvement, Real GNP and GNP deflator both will increase.
  - (b) If a Pakistani firm decides to build a plant in Japan rather than in Pakistan, GNP of Pakistan will exceed to GDP.

COMPULSORY QUESTION

8. Write only the correct answers in the Answer Book. Do not reproduce the questions.
  - (1) Two commodities are considered to be perfect substitutes for each other if the elasticity of substitution is
    - (a) positive
    - (b) negative
    - (c) infinite
    - (d) none of these.
  - (2) A straight-line downward sloping demand curve implies that, as price falls, the elasticity of demand
    - (a) increases
    - (b) decreases
    - (c) remains the same
    - (d) none of the above
  - (3) Which of the following is often considered to be inconsistent with the notion of perfect competition
    - (a) large number of firms
    - (b) free entry
    - (c) complete mobility
    - (d) none of the above
  - (4) Currently total investment as percentage of GDP in Pakistan is
    - (a) 12.9
    - (b) 14.9
    - (c) 16.9
    - (d) none of the above
  - (5) A purely monetary explanation of the business cycle is proposed by
    - (a) Hawtrey
    - (b) Schumpeter
    - (c) Hansen
    - (d) none of the above
  - (6) The exogenous variable in the income equation  $C + I + G = Y$  is
    - (a) C
    - (b) I
    - (c) G
    - (d) none of the above



## ECONOMICS, PAPER-I

- (7) The Lorenz curve describes  
(a) income distribution (b) the interest rate  
(c) the marginal efficiency of capital (d) none of the above
- (8) A stable equilibrium requires that the marginal propensity to consume is  
(a) less than zero (b) zero  
(c) one (d) none of the above
- (9) International trade during the 19th century was characterized by  
(a) extensive barriers to trade (b) operation of the gold standard  
(c) a small volume of international trade (d) none of the above
- (10) The type of business organization in which an individual has unlimited responsibility for the debts of the organization is  
(a) partnership (b) corporation  
(c) monopoly (d) none of the above
- (11) Which one of the following types of taxes is the most regressive  
(a) income taxes (b) sales taxes  
(c) excise taxes (d) none of the above
- (12) An Engel curve is based on which one of the following assumptions  
(a) constant prices, varying incomes (b) constant prices, constant incomes  
(c) constant incomes, varying prices (d) none of the above
- (13) The largest trading partner of Pakistan is  
(a) Italy (b) Hong Kong  
(c) Germany (d) none of the above
- (14) Of the following which one is a characteristic of monopolistic competition  
(a) standardized product (b) comparatively easy entry  
(c) little non-price competition (d) none of the above
- (15) In the long run  
(a) fixed costs will be greater than variable costs  
(b) variable costs will be greater than fixed costs  
(c) all costs are variable costs  
(d) none of the above
- (16) Currently the total export value of Pakistan is  
(a) \$ 10 billions (b) \$ 9 billions  
(c) \$ 8 billions (d) none of the above.
- (17) A competitive firm will maximize profits at the output where  
(a) the difference between price and marginal cost is highest  
(b) price is higher than the average total cost by the largest amount  
(c) total revenues and total costs are exactly equal  
(d) none of the above
- (18) Structural unemployment can be eliminated by  
(a) training the technologically unemployed  
(b) increased federal expenditures  
(c) an increase in the general credit level  
(d) none of the above
- (19) Public utilities tend to be  
(a) inefficient  
(b) natural monopolies  
(c) subject to increasing costs  
(d) none of the above
- (20) Which one of the following is incorrectly matched  
(a) Joan Robinson --- Imperfect Competition  
(b) Edward Chamberlin --- Monopolistic Competition  
(c) Vilfredo Pareto --- Welfare Economics  
(d) none of the above
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# FEDERAL PUBLIC SERVICE COMMISSION

## COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS IN BPS-17, UNDER THE FEDERAL GOVERNMENT, 2002.

### 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. Suggest ways to improve various economic and non-economic factors to ensure a persistent and appreciable economic growth rate in Pakistan, keeping in view inherent constraints/limitations.
2. Explain the structure of planning machinery in Pakistan. Point out vital deficiencies/predicaments and suggest remedial measures.
3. Elaborate the common social features of all the land reforms implemented in Pakistan. What were the socio-economic fall outs of these reforms?
4. The policy of "financial inequality" in the sixties, transformed the economic structure and social order in Pakistan. Substantiate with facts and logical conclusions, whether you agree or otherwise.
5. Summarize various trends in the Balance of Payment of Pakistan right from inception. What is the present situation?
6. How can we enhance the industrial sector contribution to the GDP, realizing the fact that Pakistan is a capital-scarce, highly-populated country.
7. How would you evaluate the process of privatization in Pakistan? A success or a failure.

### COMPULSORY QUESTION

8. Write only the correct answer in the Answer Book. Do not produce the question.
  - (1) The real GDP growth was .....in fiscal year 2001-2002:  
(a) 3.4% (b) 3.6% (c) 3.8% (d) 4% (e) None of these
  - (2) The slower growth in real GDP over the last two years has been caused mainly by:  
(a) low investment (b) continuation of catastrophic droughts  
(c) decline in the contribution of services sector  
(d) Growth performance of many developed and emerging market economies.  
(e) None of these.
  - (3) Population growth rate in Pakistan is:  
(a) 2.2% (b) 2.4% (c) 2.6% (d) 2.8% (e) None of these
  - (4) More than half of the total FDI inflows in Pakistan is contributed by:  
(a) U.S.A. (b) U.K. (c) Japan (d) U.A.E. (e) None of these
  - (5) The national saving rate has increased by.....percentage points of GDP since 1998-99:  
(a) 2.7 (b) 3.7 (c) 4.7 (d) 5.7 (e) None of these
  - (6) The largest sector, attracting a big chunk of total Foreign direct investment in Pakistan is:  
(a) Trade, Transport and Communications  
(b) Chemical and Pharmaceuticals (c) Oil and Gas and Power Sector  
(d) Electronics (e) None of these
  - (7) Global GDP approximates to:  
(a) \$ 10 trillion (b) \$ 20 trillion  
(c) \$ 30 trillion (d) \$ 40 trillion  
(e) None of these
  - (8) Based on the requirements of 2150 calories, the Government of Pakistan has adopted the official poverty line in 1998-99 as.....per capita per month.  
(a) Rs. 450 (b) Rs. 550  
(c) Rs. 650 (d) Rs. 750  
(e) None of these



## ECONOMICS, PAPER-II

- (9) Almost 40% of the CBR revenue originates from:  
(a) Personal and corporate income (b) Imports  
(c) Wealth (d) Natural Gas & Petroleum  
(e) None of these
- (10) Pakistan's non-agricultural GDP in 2001-2002 was ..... that of last year figures:  
(a) greater than (b) less than  
(c) equal to
- (11) According to the Budget estimate for the year 2002-2003, the approximate ratio of Development expenditure to current expenditure is:  
(a) 1 : 3 (b) 1 : 4  
(c) 1 : 5 (d) 1 : 6  
(e) None of these
- (12) A commodity is considered to be a "luxury" if its income elasticity is  
(a) Equal to one (b) Greater than one  
(c) less than one (d) Zero  
(e) None of these
- (13) Value bonds fall when:  
(a) Invest rate falls  
(b) Invest rate rises  
(c) Invest rate remains constant for long time  
(d) Invest rate fluctuates  
(e) None of these
- (14) Monopolistic exploitation and monopolistic competition:  
(a) are the same  
(b) Latter results in the former  
(c) Former results in the latter  
(d) Former refers to higher prices and latter to differentiated products  
(e) None of these
- (15) Beside other instruments, the State Bank can change money stock by manipulating:  
(a) The currency deposit ratio (b) the reserve deposit ratio  
(c) Market and discount rate (d) All of the above  
(e) None of the (a), (b) and (c)
- (16) Pakistan is pursuing:  
(a) Fixed exchange rate system  
(b) Flexible exchange rate system  
(c) Managed float through Banks  
(d) All of the above  
(e) None of the (a), (b) and (c)
- (17) Monetary policy that results in lowering interest rate is:  
(a) Contractionary (b) Expansionary  
(c) Moderate (d) deflationary  
(e) None of these
- (18) The Bonus Voucher or Export bonus scheme was introduced in the year:  
(a) 1957 (b) 1958  
(c) 1959 (d) 1960  
(e) None of these
- (19) The Bad luck factor responsible for poor performance of economy in 1970's is:  
(a) Massive floods and crops failure  
(b) Global Oil Crisis  
(c) World recession following OPEC price rise  
(d) All of the above  
(e) None of the (a), (b) and (c)
- (20) Although they never materialized, recommendations of the Muslim League Land Reform Committee were put forward in:  
(a) 1947 (b) 1948  
(c) 1952 (d) 1954  
(e) None of these.

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# FEDERAL PUBLIC SERVICE COMMISSION

## COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS IN PBS-17, UNDER THE FEDERAL GOVERNMENT, 2003

### 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. Write clearly.

1. Discuss which of the three approaches explain better consumer behaviour and why?
2. Show and explain the conditions of output maximization and cost minimization.
3. Explain how the modern theory of interest (IS - LM) model came into being and how is it different than the other theories?
4. Explain stagflation and give a viable strategy to overcome this phenomenon.
5. It is desirable to have a larger proportion of direct taxes in the taxation structure. Explain why? Also explain, why in a developing country like Pakistan, efforts to raise the share of direct taxes have not met with success.
6. Critically examine the theory of comparative cost.
7. Write notes on the followings:-
  - (i) Role of IMF and its impact on developing economies.
  - (ii) Government expenditure and economic development.

### COMPULSORY QUESTION

8. Write only the correct answers in the answer book. Don't reproduce the questions.
  - (1) Total revenue receipts are maximum at that point on a demand curve where price elasticity is:
 

(a) Increasing	(b) Decreasing
(c) Unitary	(d) None of these.
  - (2) Which of the following products will have an elastic demand:
 

(a) Flour	(b) Cloth
(c) Honda City	(d) None of these.
  - (3) Price controls are:
 

(a) Necessary for consumer's welfare
(b) A must to check inflation
(c) Doomed to fail.
(d) None of these.
  - (4) Increase in minimum wage:
 

(a) Helps in controlling unemployment
(b) Increases unemployment
(c) Reduces wage bill
(d) None of these.
  - (5) An indifference curve gives:
 

(a) The actual combination of goods that consumer chooses.
(b) The minimum choice of the consumer.
(c) The highest level of satisfaction.
(d) None of these.

## ECONOMICS, PAPER-I

- (6)  $MRS_{xy}$  being 6 means:  
(a) Consumer is willing to give up 6 units of x for one of y.  
(b) Preference for y is 6 times that of x.  
(c) Both of the above.  
(d) None of these.
- (7) Consider cardinal measure of utility, increase in consumption will:  
(a) Increase marginal utility.  
(b) Will not average utility.  
(c) Both (a) and (b).  
(d) None of these.
- (8) In pure competition:  
(a) Strong rivalries exist (b) Cartels are formed  
(c) Both (a) and (b). (d) None of these.
- (9) National incomes include:  
(a) Undistributed corporate profits (b) Fringe benefits  
(c) Both (a) and (b) (d) None of these.
- (10) Personal income is obtained by adding which item(s) to national income:  
(a) Govt. transfer payments. (b) Business transfer payments  
(c) Both (a) and (b). (d) None of these.
- (11) Which of the following is a stock variable:  
(a) Gross private domestic investment (b) Personal savings  
(c) Both (a) and (b). (d) None of these.
- (12) Find out the True Statement(s):  
(a) When aggregate supply exceeds aggregate demand, output rises.  
(b) If intended investment exceeds savings, output falls.  
(c) Both (a) and (b).  
(d) None of these.
- (13) When un-intended investment is positive:  
(a) Output tends to rise. (b) Output tends to fall  
(c) Output is in equilibrium. (d) None of these.
- (14) With no government and foreign trade sectors, savings always equals:  
(a) Intended investment (b) Realised investment  
(c) Both (a) and (b). (d) None of these.
- (15) If  $MPC=2/3$ , the investment multiplier is:  
(a)  $2/3$  (b)  $1/3$   
(c)  $3/2$  (d) None of these.
- (16) Find out the True statement(s):  
(a) When consumption function is linear, the  $mpc = apc$ .  
(b) The short run consumption function has a steeper slope than that of the LR.  
(c) Both (a) and (b).  
(d) None of these.
- (17) If Union Bank has demand deposits of Rs.25 million, no time deposits and required reserves of Rs.7.5 million, the legal reserve requirement ratio must be:  
(a) 3.3% (b) 333%  
(c) 40% (d) None of these.
- (18) Which of the following is likely to be longer for monetary policy than for fiscal policy?  
(a) The implementation lag (b) The recognition lag  
(c) Both (a) and (b). (d) None of these.
- (19) The number of income tax payers in Pakistan is:  
(a) 2 million (b) 0.7 million  
(c) 1 million (d) None of these.
- (20) The impact and incidence of sales tax is:  
(a) On the consumer (b) On the seller  
(c) On the producer (d) None of these.

TIME.

NOTE:

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# FEDERAL PUBLIC SERVICE COMMISSION

## COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS IN PBS-17, UNDER THE FEDERAL GOVERNMENT, 2003

### 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. Perpetual budget deficits indicate that governments in Pakistan have been 'die-hard' Keynesian. That legacy still being there, discuss the rationale of endorsing the neo-classical counter-revolution, as witnessed by both privatization and the increasing role of the private sector in Pakistan's economy.
2. "The debate on 'growth and equity' trade-off that ensued in the second half of the 1960s, was largely responsible for the subsequent paradigm shift. However, the economic and social indicators in the 1970s, scarcely justified the latter". Discuss.
3. Do you agree that numerous structural imbalances are seriously hampering Pakistan's sustainable development, and sooner they are redressed is better, even if the process involves compromising short-run growth targets?
4. Differentiate between the private and the social rate of return. Do you agree that public spending on health and education for maximizing the latter? What in your opinion is the respective state of affairs in Pakistan?
5. Differentiate between foreign portfolio and foreign direct investment, and discuss the relative merits and demerits of the each type for a country like Pakistan.
6. "There are some believe that in the early 1960s, Pakistan was at the take-off stage of the Rostow's scheme of growth. However, a close study of the latter indicates that Pakistan, in many ways, has jumped into the last stage now, without-ever having transcended even the second stage of growth". Discuss.
7. Compare the performance of Pakistan's agricultural pricing policy with that of the Common Agricultural Policy (CAP) and the Farm Support Program of the U.S. of America.

### COMPULSORY QUESTION

8. Write only the correct answer in the Answer Book. Do not reproduce the question.
  - (1) Balance of payments deficit implies:
    - (a) Deficit in the current account
    - (b) Deficit in the Capital account
    - (c) Deficit in the trade balance
    - (d) All of these.
    - (e) None of these.
  - (2) Pakistan's major trading partners are:
    - (a) Japan and China
    - (b) Islamic countries
    - (c) Western Europe and U.S.A
    - (d) Both a & b
    - (e) None of these.
  - (3) Pakistan became a member of Multifibre Arrangements (MFA) in:
    - (a) 1950s
    - (b) 1960s
    - (c) 1970s
    - (d) None of these.
  - (4) Presently, in Pakistan the largest contribution to GDP is made by the:
    - (a) Primary sector
    - (b) Secondary sector
    - (c) Tertiary sector
    - (d) None of these.
  - (5) The tertiary sector includes:
    - (a) Professional services
    - (b) Transport services
    - (c) Distributive services
    - (d) All of these.
    - (e) None of these.
  - (6) Pakistan's custom duty rates are highest on:
    - (a) Intermediate goods
    - (b) Consumer goods
    - (c) Basic raw materials
    - (d) Chemicals and components.
    - (e) None of these.

## ECONOMICS, PAPER-II

- (7) In the textiles sector of Pakistan, the largest number of firms belongs to:  
(a) Integrated textile mills (b) Independent Weaving units  
(c) Power looms sector (d) None of these.
- (8) The largest number of sugar mills working in Pakistan is in:  
(a) Sindh (b) Punjab  
(c) NWFP (d) None of these.
- (9) SMEDA is an acronym for:  
(a) Southern Motorway Engineering and Development Authority  
(b) Sindh Microclimate and Environmental Design Agency  
(c) Salinity Management and Environmental Development Authority.  
(d) None of these.
- (10) The region receiving the smallest share of FDI inflows to developing countries is:  
(a) Latin America and Caribbean (b) East and South East Asia  
(c) South Asia (d) None of these.
- (11) The largest source of FDI in Pakistan is:  
(a) Germany (b) Canada  
(c) Korea (d) None of these.
- (12) In Pakistan, the largest sectoral share of FDI goes to:  
(a) Power (b) Textiles  
(c) Financial business (d) None of these.
- (13) In Pakistan the average annual size of the Gini-coefficient was highest in:  
(a) 1960s (b) 1970s  
(c) 1980s (d) 1990s.  
(e) None of these.
- (14) The average annual GDP growth rate in Pakistan has been lowest in:  
(a) 1960s (b) 1970s  
(c) 1980s (d) 1990s.  
(e) None of these.
- (15) After defense, the largest share of Pakistan government's current expenditures goes to:  
(a) General administration (b) Current subsidies  
(c) Socio-economic and community services  
(d) None of these.
- (16) The largest revenue source of Pakistan's governments comes from:  
(a) Direct taxes (b) Custom duties  
(c) Sales taxes (d) None of these.
- (17) The internal outstanding debt in Pakistan is:  
(a) Greater than the GDP (b) About a quarter of the GDP  
(c) About 3 quarters of the GDP (d) None of these.
- (18) Major part of foreign aid to Pakistan comes from:  
(a) Consortium countries (b) Islamic countries  
(c) Non-consortium countries (d) Both (b) and (c).
- (19) Pakistan's external outstanding debt is:  
(a) More than her GDP (b) About half of her GDP  
(c) A little over one third of her GDP  
(d) None of these.
- (20) In Pakistan, Public Sector expenditures on education are:  
(a) 10% of GDP (b) 7% of GDP  
(c) 5% of GDP (d) None of these.

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# FEDERAL PUBLIC SERVICE COMMISSION

## COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS IN BPS-17, UNDER THE FEDERAL GOVERNMENT, 2004

### 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. Resource allocation and their outcomes are the Central goals of all individuals. The emphasis is not on supply side, rather price is determined by what people want and are prepared to pay for?
2. If aggregate demand exceeds the productive capabilities of the economy at full employment, there will be insufficient output to meet demand at the current price level. It creates an inflationary pressure and can be demonstrated as inflationary gap. Discuss.
3. State and demonstrate the determinants of Money supply in an economy. What role does it play, if there is increase or decrease in money supply?
4. High tax rates means large disincentives to productive efforts that aggregate supply and tax revenues are both restricted. Give your arguments for a just tax System.
5. The major issue of developing countries is the volume of production and quality control. Customers and consumers expect it. How the producers exceed customers expectations? How will you recommend the business community to prepare themselves for Global Free Trade?
6. IMF exist to co-ordinate foreign exchange dealings, and to give macro-economic policy advice. It provides a frame work on matters of monetary and exchange rate policy. Discuss.
7. Critically examine that the Quantity Theory of Money is more accurately a monetary theory of the price level.

### COMPULSORY QUESTION

8. Write only the correct answer in the Answer Book. Do not reproduce the question.
  - (1) In supply of and Demand for a product, an increase in production costs will shift:
    - (a) Demand Curve to the left
    - (b) Supply Curve to the right
    - (c) Demand Curve to the right
    - (d) Supply Curve to the left
    - (e) None of these
  - (2) When a demand schedule is drawn up, which of the following is not held constant:
    - (a) Price of Substitutes
    - (b) Price of factors of production
    - (c) Price of Complementary goods
    - (d) The price of the goods
    - (e) None of these
  - (3) The more a person consumes of a thing:
    - (a) The smaller is his total gain
    - (b) The slower is the rate of increase in his total pleasure
    - (c) The higher is the price.
    - (d) Consumes the maximum
    - (e) None of these
  - (4) When AC is less than MC:
    - (a) An increase in output would cause AC to rise
    - (b) Fixed costs must be rising
    - (c) AC to fall
    - (d) Should not produce beyond minimum AC
    - (e) None of these
  - (5) A firm's total fixed costs are Rs.2400. If at a certain output its price per unit is Rs.20/- and average variable cost per unit is Rs.14/-. The level of output is:
    - (a) 1000 units
    - (b) 800 units
    - (c) 600 units
    - (d) 400 units
    - (e) None of these



# ECONOMICS, PAPER-1:

- (6) Which of the following is not a condition of perfect competition:  
(a) Inelastic Demand curve (b) single price  
(c) Uniform product (d) many buyers  
(e) None of these
- (7) Profit maximizing monopolist will produce at the level of out put, where:  
(a) Price is greater than MC (b)  $AR = MR$   
(c)  $AR = MC$  (d) Total Costs are minimized  
(e) None of these
- (8) A steel firm takes over a Coalmine Company. It is an example of:  
(a) Holding Company (b) Internal economies of scale  
(c) Horizontal integrator (d) Vertical integrator  
(e) None of these
- (9) Which of the following is not part of aggregate demand:  
(a) Investment (b) Govt. Spending (c) net exports  
(d) Taxes (e) None of these
- (10) If GNP rises while 3 of the following four remain fixed. Which of the four could not have risen:  
(a) Consumption (b) Taxes (c) Saving  
(d) transfers (e) None of these
- (11) An increase in the income tax rate causes the full employment budget surplus to:  
(a) Increase (b) Depends on tax  
(c) Decrease (d) Depends on propensity  
(e) None of these
- (12) The most important factor responsible for growth in GNP has been:  
(a) Technological change (b) Govt. Spending  
(c) Capital formation (d) Population growth  
(e) None of these
- (13) A businessman expects an internal rate of return of 12% and decides that the investment is attractive. The decision is based on:  
(a) Accelerator principle (b) Marginal efficiency theory  
(c) Marginal Propensity to invest (d) Multiplier principle  
(e) None of these
- (14) Over time increase in interest rate is expected to:  
(a) reduce inflation (b) Increase inflation  
(c) reduction in GDP (d) decrease in liquidity  
(e) None of these
- (15) Exchange rates are:  
(a) only a demand factor (b) a demand & supply factor  
(c) only supply factor (d) neither demand nor supply factor  
(e) None of these
- (16) An increase in disposable income:  
(a) increases economic good (b) reduces economic good  
(c) reduces spending (d) has no effect on economy  
(e) None of these
- (17) Demand pull inflation is:  
(a) When aggregate demand is rising (b) When aggregate demand is low  
(c) When costs are rising (d) When costs are low  
(e) None of these
- (18) The foreign debt can be reduced by:  
(a) Increase in domestic saving (b) increase in aggregate demand  
(c) increase in exchange rate (d) decrease in wealth  
(e) None of these
- (19) Net foreign debt is:  
(a) the difference between exports and imports.  
(b) Debt less equity  
(c) Difference between gross borrowing from non residents and lending overseas  
(d) only savings  
(e) None of these
- (20) The Focus of Monetary policy is a:  
(a) Price stability (b) External Balance (c) Stimulating growth  
(d) Current account deficit (e) None of these

**FEDERAL PUBLIC SERVICE COMMISSION**  
**COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS**  
**IN BPS-17, UNDER THE FEDERAL GOVERNMENT, 2004**

**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 does not simply raise the community to a higher level of economic wellbeing but reorganize the society from within. Define economic development in the light of above statement. Show how it can be measured?
2. What is inescapable is a change or an effective planning. Surplus Labour hidden capital and mobility of resources cannot be increased a great deal without wellwoven planning. Give a critical evaluation of planning experience in Pakistan.
3. Agriculture stimulate Industrial Sector, and through effective International Trade can earn Substantial Foreign exchange. In the absence of agriculture tax and value added tax which remain one of the most useful Fiscal Instrument at the disposal of a conscious state for raising funds for agriculture development projects. Give a critical review of agricultural policies.
4. Dr. KUZNETS writes that the major stock of a nation is not its physical equipments. The essential investment is largely in human beings and not in sticks and stones. Unless human Capital efficiently developed, tangible results in industrial development can not be realized. Discuss in detail.
5. Small and medium type business get easy access to the funds, have tremendous potentials of growth and contribute a lot to the society. Provided they extend a needed service, charge reasonable price and do it well. Signify the role of medium type business for economic development.
6. The only remedy is to privatize public sector projects as quickly as possible, so that funds are made available at a competitive rates to competitive projects. Let visions and ideas come from the state so that private initiative can be educated to constitute and flourish. Discuss.
7. To be competitive, organizations have no choice, but to use the management concept and techniques to innovate and to lead to new challenges. Signify the direction of trade and trends in Pakistan's major exports and imports.

**COMPULSORY QUESTION**

8. Write only the correct answer in the Answer Book. Do not reproduce the whole question.
  - (1) Most of the public sector projects were in loss because:
    - (a) Setting up of industries in backward areas
    - (b) Where private investors were hesitant to invest.
    - (c) Profit making was not the objective
    - (d) Projects were facing numerous problems and consumers were exposed to taxes
  - (2) Many manufacturing units were nationalized because:
    - (a) 22 families were found having control over a lion share
    - (b) producers paid wages which were below the subsistence wage rate
    - (c) Capitalist class was given protection
    - (d) Consumers had to face increasing Indirect taxes.
  - (3) Which of the following be the reason for poor performance of Nationalised Units:
    - (a) Repeated rupee devaluation
    - (b) Multiple exchange rate system
    - (c) Import duties and tariff walls reduced
    - (d) Tax rebates and incentives to the producers were withdrawn.
  - (4) The main objective of a wage and income policy is:
    - (a) An increase in economic growth and reduced unemployment
    - (b) Wage increases without out-break of inflation.
    - (c) To increase exports and reduce current account deficit.
    - (d) Have low interest rate.
  - (5) Safety net is a level of income that:
    - (a) Union want
    - (b) employees want
    - (c) employers want
    - (d) is minimum amount acceptable.

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- (6) Wage and income policy help reduce in:  
 (a) Cost push inflation in the country (b) Demand pull inflation  
 (c) Supply (d) Demand
- (7) The need for competition is:  
 (a) that the economy is productive and efficient  
 (b) Job creation  
 (c) Reduction in foreign trade  
 (d) Economic growth
- (8) Fixed capital means:  
 (a) Stocks or inventories of raw materials  
 (b) The machinery & equipments used.  
 (c) Corporate bonds  
 (d) Structures, building and equipments.
- (9) If capital consumption is greater than gross investment:  
 (a) Gross investment must be negative  
 (b) Gross investment must be declining  
 (c) Net investment is negative  
 (d) Replacement investment is rising
- (10) A surplus balance of payment may cause:  
 (a) Employment and money supply to rise  
 (b) Money supply to fall  
 (c) Employment to rise and money supply to fall  
 (d) Employment and money supply to fall
- (11) Invisible exports include all the following except:  
 (a) Government spending on military bases located out side country  
 (b) Gifts received by residents from foreign relatives  
 (c) Flows of dividends into the country  
 (d) Money spent abroad by the residents on tourism.
- (12) Incidence of a tax refers to:  
 (a) Who eventually bears the burden of tax.  
 (b) A principle of taxation  
 (c) Whether the tax is direct or indirect  
 (d) A tax is periodically levied.
- (13) During a period of inflation, income tax revenue rises faster than income, illustrate:  
 (a) Unemployment trap (b) Poverty trap  
 (c) Fiscal boost (d) Fiscal drag
- (14) Causes of poverty trap include the:  
 (a) Income tax being set lower than the benefits  
 (b) Existence of black economy  
 (c) Process of fiscal boost  
 (d) Regressive nature of income tax
- (15) Privatized industry which benefits from economies of scale, it is likely that:  
 (a) Efficiency will improve and profits will increase  
 (b) Efficiency will improve but losses will be made.  
 (c) Industry's monopoly power will diminish  
 (d) The industry will be easier to Nationalized.
- (16) The economic problem of deciding what goods to produce is decided by:  
 (a) Supply or demand (b) Profit levels  
 (c) Shadow prices (d) Relative prices
- (17) Supply of agriculture credit from all sources is:  
 (a) 67924.8 m (b) 97924.8 m (c) 47924.8 m (d) 27924.8 m  
 (e) None of these
- (18) To reduce economic disparities, which one will prove effective?  
 (a) Market imperfection be removed (b) Information system be made effective  
 (c) Population pressure be controlled (d) Taxation system be made effective
- (19) Terms of Trade refers to:  
 (a) Volume of exports and imports  
 (b) Volume of balance of trade to balance of imports  
 (c) Relationship between export prices and imports prices  
 (d) Exchange value of currencies between two countries.
- (20) Pakistan exports are primarily:  
 (a) Manufactured goods (b) Sports goods  
 (c) Primary products (d) Tertiary products.

# FEDERAL PUBLIC SERVICE COMMISSION

(17)

## 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.



## **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.

**FEDERAL PUBLIC SERVICE COMMISSION**  
**COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS**  
**IN BPS-17, UNDER THE FEDERAL GOVERNMENT, 2005**

**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.

Contd.....P13

- 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 burden 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