



FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2025 FOR RECRUITMENT TO
POSTS IN BS-17 UNDER THE FEDERAL GOVERNMENT

Roll Number

ECONOMICS, PAPER-I

TIME ALLOWED: THREE HOURS	(PART-I MCQs) MAXIMUM MARKS: 20
PART-I (MCQs) : MAXIMUM 30 MINUTES	(PART-II) 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. (iii) There is no negative marking. All MCQs must be attempted.	

PART-I (MCQs)(COMPULSORY)

- Q.1. (i) Select the best option/answer and fill in the appropriate Box ☐ on the OMR Answer Sheet.(20x1=20)**
(ii) Answers given anywhere else, other than OMR Answer Sheet, will not be considered.

1. **The elasticity of demand for cigarettes by a non-smoker is**
(A) Unitary price elastic (B) Relatively price inelastic
(C) Perfectly price elastic (D) Perfectly price inelastic
2. **Which of the following is not a basic assumption of perfect competition?**
(A) Free entry and exit (B) Many small sellers and buyers
(C) Perfect information (D) Homogenous product
3. _____ **is unemployment directly related to swings in the business cycle.**
(A) Seasonal (B) Frictional (C) Cyclical (D) Structural
4. **Which of the following does not apply to Pareto efficiency?**
(A) Consumptive efficiency (B) Productional efficiency (C) Allocative efficiency (D) Equity
5. **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
6. **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.
7. **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.
8. **According to Keynes, the relationship between money supply and rate of interest is:**
(A) Negative (B) Positive (C) Indirect (D) None of these
9. **Trade based on absolute advantage was presented by:**
(A) Alfred Marshall (B) Adam Smith (C) Lionel Robbins (D) None of these
10. **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.
11. **The Human Development Index (HDI) ranks all countries on the scale of:**
(A) 0 to 1 (B) 1 to 100 (C) -1 to +1 (D) None of these
12. **Monopolistic Competition is different from Perfect Competition because of:**
(A) The large number of firms in the industry; (B) The lack of barriers to the entry and exit of firms;
(C) The differentiation of the product; (D) The lower level of price competition in Monopolistic Competition
13. **The account in balance of payment that consists of all transactions in financial assets is known as:**
(A) Capital account (B) Current account (C) Official Reserve account (D) None of these
14. **LM curve represents:**
(A) Equilibrium in goods market (B) Budget balance
(C) Equilibrium in financial market (D) None of these
15. **Classical economics is the:**
(A) Supply side economics (B) Demand side economics (C) Both (A) & (B) (D) None of these

ECONOMICS, PAPER-I

16. Which of the following is not a component of GDP?
(A) Consumption by households (B) Investment by firms
(C) Public Spendings (D) Rate of unemployment
17. The relationship between inflation and unemployment is represented by:
(A) Okun's law (B) Philips curve (C) Say's law (D) U shape curve
18. Increase in supply of money will positively affect:
(A) Economic growth of the country (B) Rate of unemployment
(C) Labour force participation rate (D) Rate of inflation
19. Automatic stabilizers are one of the _____ policy tools.
(A) Monetary (B) Trade (C) Fiscal (D) Investment
20. The World Bank classifies countries into four groups. This classification is based upon:
(A) Economic growth rate (B) Labour force participation rate
(C) Unemployment rate (D) Gross National Income per capita

PART-II

- NOTE:** (i) Part-II is to be attempted on the separate Answer Book.
(ii) Attempt **ONLY FOUR** questions from PART-II. ALL questions carry **EQUAL** marks.
(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the question will not be considered.

- Q. No. 2.** How can a consumer attain equilibrium under ordinal approach? Also explain the effects of changing income and prices on consumer's equilibrium in case of normal and inferior commodities. (20)
- Q. No. 3.** What are the different stages of production? Explain in the light of law of variable proportions using schedule and diagrams. (20)
- Q. No. 4.** Explain circular flow of national income in two sector, three sector & four sector economy. Discuss the methods by which national income can be measured. Also explain advantages & shortcomings of each method. (20)
- Q. No. 5.** Explain quantity theory of money (QTM) and elaborate significant ingredients for effective monetary policy to accelerate economic growth in developing countries. (20)
- Q. No. 6.** Elaborate different canons of taxation. How these canons can be used optimally? Suggest some policy options to maximize tax revenue in a developing country like Pakistan. (20)
- Q. No. 7.** Differentiate between economic growth and economic development by discussing traditional and modern measures of growth/development. (20)
- Q. No. 8.** Write short notes on any **FOUR** of the following: (5 each) (20)
a. Accelerator Principle
b. Price Discrimination
c. Balance of Payments
d. Human Development Index
e. Public VS Private Goods
