



PUNJAB PUBLIC SERVICE COMMISSION
COMBINED COMPETITIVE EXAMINATION
FOR RECRUITMENT TO THE POSTS OF
PROVINCIAL MANAGEMENT SERVICE, ETC -2022
CASE NO. 2C2023

SUBJECT: ECONOMICS (PAPER-I)

TIME ALLOWED: THREE HOURS

MAXIMUM MARKS: 100

NOTE:

- i. All the parts (if any) of each Question must be attempted at one place instead of at different places.
- ii. Write Q. No. in the Answer Book in accordance with Q. No. in the Q. Paper.
- iii. No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
- iv. Extra attempt of any question or any part of the question will not be considered.

Attempt any SIX Questions in all. FOUR from Part-I and TWO from Part-II. You must use graphs and Math./Equations to explain your point of view. Attempt in Urdu or English. Calculator is allowed (Non-Programmable).

PART-I

- Q No.1** a) Explain Opportunity Cost which may help to make decision by individuals and firms to decide production and consumption. Use examples to clarify your point of view.
b) Is there any linkage between Opportunity cost and scarcity? Explain with the help of Microeconomic principles. (8+7=15 Marks)
- Q No.2** (i) Briefly explain and differentiate between movement along the demand curve and shifting the demand curve.
(ii) How can bumper crop affect the supply of agricultural products and what will be resultant effect on market equilibrium? Explain with the help of diagram. (8+7=15 Marks)
- Q No.3** a) Explain Law of Demand in case of Giffen goods. Draw and explain such demand curve. How such demand differ from derived demand?
b) Explain income and substitution effect in case of Hicken Decomposition. In which type of commodities income effect will dominate substitution effect. (8+7=15 Marks)
- Q No.4** (i) "The Law of Diminishing Return is only one phase of the universal law of variable proportions". Explain.
(ii) What is a production function? How does a long-run production function differ from a short-run production function? (10+5=15 Marks)
- Q No.5** a) Explain efficiency and optimum output under Monopoly; Are there any production losses?
b) Explain Demand Curve under Duopoly. How it differs from Monopoly? Do you think production is efficient in this case, as compared to (a) above.
(Utilize AC, MC, AR & MR etc. curves). How AR is related to Demand? (8+7=15 Marks)
- Q No.6** a) Analyze income effect for hiring factors of production (FoP), as a result of price change of (FoP).
b) Also discuss Scale expansion path due to changes in such prices. (8+7=15 Marks)

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- Q No.7 a) Draw constant elasticity Demand curve and explain demand elasticity along the curve.
 b) How this demand curve is different from the demand curve having constant elasticity demand curve? (Draw graphs to explain). (8+7=15 Marks)

PART-II

- Q No.8 a) Given the following equation, calculate simple multiplier and interpret the result.

$$I + G = Y - c(Y-t) = s(Y-t) + t$$

Calculate spending multiplier, given the following information. $Y = \text{GNP}$

$I = \text{Investment}$ $t = \text{tax rate} = 0.2$ $s = \text{saving rate} = 0.2$ $c' = \text{MPS} = 0.2,$

$c = \text{MPC} = 0.7$ $t = \text{tax rate; constant}$

(20 Marks)

- Q No.9 Given the following equation:

$$Y - c(Y - t(Y)) + G + I(r)$$

Where: $I = \text{Investment}$ $r = \text{interest rate}$ $Y = \text{GNP}$ $t = \text{tax rate}$ $G = \text{Govt. Spending ; Constant}$
 Solve for dY/dr and draw "IS" curve ; based upon the slope of "IS" i.e. of $I(r)$. Also draw graph of "IS" and interpret its Economic implications; slope and market equilibrium. (20 Marks)

- Q No.10 (i) Differentiate between function & Relation. Explain your answer by using examples.

(ii) $Y = c + I_0 + G_0$ $c = 25 + 6y^{\frac{1}{2}}$
 $I_0 = 16$ $G_0 = 14$

Find

- (i) Y and C
 (ii) Value of multiplier

(6+14=20 Marks)



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SUBJECT: ECONOMICS (PAPER-II)

TIME ALLOWED: THREE HOURS

MAXIMUM MARKS: 100

NOTE:

- i. All the parts (if any) of each Question must be attempted at one place instead of at different places.
- ii. Write Q. No. in the Answer Book in accordance with Q. No. in the Q. Paper.
- iii. No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
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Attempt any FIVE Questions in all. At least TWO Questions from each section.

Attempt in Urdu or English

SECTION-A

- Q. No.1** Differentiate the following concepts: **(5X4=20 Marks)**
- a) Gross national product and net national product
 - b) Gross domestic Product and national income
 - c) Personal income and disposable personal income
 - d) Nominal and real GDP
- Q. No.2** Explain unemployment, its different types and causes. Also explain the remedial measures of unemployment. **(20 Marks)**
- Q. No.3** Keeping in view the IS – LM model, define
- i) Why does the IS curve slope downward?
 - ii) Why does the LM curve slope upward?
- (10+10=20 Marks)**
- Q. No.4** How does life – cycle and permanent income hypotheses resolve the seemingly contradictory pieces of evidence regarding consumption behavior? **(20 Marks)**

SECTION-B

- Q. No.5** What are the determinants of economic development? How far do they exist in Pakistan? **(20 Marks)**
- Q. No.6** What is meant by devaluation? Discuss the impact of devaluation of currency on the economy of Pakistan. **(5+15=20 Marks)**
- Q. No.7** Is foreign debt good for Pakistan? Discuss the associated advantages and disadvantages. **(20 Marks)**
- Q. No.8** Define inflation. Explain demand pull inflation and cost push inflation with the help of diagram. **(20 Marks)**
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