



FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION FOR
RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT, 2014
ECONOMICS, PAPER-I

Roll Number

TIME ALLOWED:	(PART-I MCQs) 30 MINUTES	MAXIMUM MARKS: 20
THREE HOURS	(PART-II) 2 HOURS & 30 MINUTES	MAXIMUM MARKS: 80

- 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) Candidate must write **Q. No.** in the **Answer Book** in accordance with **Q. No.** in the **Q. Paper**.
(iv) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(v) Extra attempt of any question or any part of the attempted question will not be considered.

PART-II

- Q. No. 2.** Given the profit function of a firm. **(20)**

$$f = 80X - 2X^2 - XY - 3Y^2 + 100Y$$

Using the Lagrange Multiplier Method, find the maximum of the profit function subject to the constraint that: $X + Y = 12$.

- Q. No. 3.** Using the utility maximization model show that total price effect is equal to the sum of income and substitution effects. **(20)**

- Q. No. 4.** Differentiate between monopoly and perfect competition? How price and output is determined under monopoly in the short run? **(20)**

- Q. No. 5.** (a) Define and explain the concept of average fixed cost, average variable cost, average total cost and marginal cost with the help of diagram. **(10 each) (20)**
(b) What is the significance of the point where marginal cost is equal to average cost? Describe this relationship mathematically as well as graphically.

- Q. No. 6.** Given below is the information about money market in a economy (all values in billions): **(20)**

C = Currency in circulation

D = Demand deposits = \$ 600

X = Excess Reserves

r = reserve requirement on Demand Deposits = 0.05

(C/D) = 0.25

(X/D) = 0.05

Calculate the value of the following:

(5 each)

(a) Monetary Base

(b) M1 Money Supply

(c) Money Multiplier

(d) Change in Monetary base required to achieve $M1 = \$800$

- Q. No. 7.** Use the Keynesian Cross to predict the impact of: **(20)**
(a) An increase in government purchases **(7)**
(b) An increase in taxes **(7)**
(c) An equal increase in government purchases and taxes **(6)**

- Q. No. 8.** Write short NOTES on the following: **(20)**
(a) Consumer and producer surplus **(7)**
(b) Compensating and Equivalent variation **(7)**
(c) Philips curve **(6)**