PUNJAB PUBLIC SERVICE COMMISSION

COMBINED COMPETITIVE EXAMINATION
FOR RECRUITMENT TO THE POSTS OF
PROVINCIAL MANAGEMENT SERVICE, ETC -2023
CASE NO. 1C2024

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 FIVE Questions in all. FOUR from Part-I and ONE 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 Production Possibility Frontier (PPF) and clarify opportunity cost; as well as its role in production decision making.

b) Analyze points on the PPF inside as well as outside the PPF and their economic implications. Analyze whether PPF may have different shapes/slopes?
(10+10=20 Marks)

Q No.2   **a)** Differentiate between <u>Cross and Arc</u> elasticity of demand.

b) Are there different economic implications of these elasticities? Explain with the help of examples. **(10+10=20 Marks)**

Q No.3   **a)** Explain Cardinal and Ordinal utility. How utility can be measured from these utilities and clarify which measures are better to make economic decision?

b) Derive demand curve based upon your explanation of (a) above. Do you think utility derived changes along demand curve? How consumer surplus is relevant in this case?
(10+10=20 Marks)

Q No.4   **a)** Analyze consumer consumption curve (path) based upon budget line. What is the role of marginal rate of substitution in reaching equilibrium points?

b) Explain Engel Curve (EC) and state whether it can have different slopes. Also identify commodities consumers want to purchase along negatively sloped EC.
(10+10=20 Marks)

Q No.5   **a)** Explain factors of production employment and establish expansion path. State role of economies of scale in this respect.

b) Define production function and also draw Production Possibility Curve employing two factors of production and their substitution. Discuss economic implications of such substitution. **(10+10=20 Marks)**

Q No.6   **a)** Explain kinked demand curve and output decision under oligopoly.

b) Explain Cournet equilibrium and how is it relevant to Nash equilibrium? You must explain and relate to economic decision making. **(10+10=20 Marks)**

PART-II

Q No.7   Given the following equation:

$\bar{M}/P = I(r) + k(Y) = 0$ i.e **Money supply = Money demand**

Where: **M̄** = Money supply   P= Price level I= Investment

r = interest rate **Y** = GNP (Gross Income)for LM curve. **k` > 0,   I` < 0**

Solve for dr/ dy   and

Draw as well as interpret expression for **LM curve**. Also discuss market equilibrium along the curve; LM. Besides, point out factors (variables) affecting Money supply and demand.   **(20 Marks)**

Q No.8   **a)** How does an exponential function differ from a logarithmic function for the case of one independent variable?

b) in simple IS-LM model , the goods market in an economy is given by :

C=15+ 0.8 Yd. I=75-100 i $y = c + I + G$
$y_d = y - T$ were $T = 5 + 0.2y$ and $G = 300$

The transaction demand for money is given by
$L_1 =$ 0.2 Y speculative demand for money in given by
$L_2 =$750-260 i and the supply of money M_s=950
Determine the $Is - LM$ Schedules and equilibrium levels of Y and i
                                            (6+14=20 Marks)

Q No.9.   **a)** What is the significance of derivatives in Economics?

b) A monopolist firm faced the following two distinct demand function.

$Q_1 = 24 - 0.2 P_1$ $Q_2 = 10 - 0.05 P_2$
where $Tc = 35 + 40 Q$

What price will the firm charge?
(i)   With discrimination.
(ii) Without discrimination.   **(6+14=20 Marks)**

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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 FIVE Questions in all. At least TWO Questions from each section.

Attempt in Urdu or English

SECTION-A

Q. No.1 How will you measure the Gross Domestic Product of a country? What difficulties are involved in its measurement? **(10+10=20 Marks)**

Q. No.2 **a)** Why does aggregate demand curve slope downward?

b) Give an example of a price that is sticky in the short run and flexible in the long run. **(10+10=20 Marks)**

Q. No.3 In IS – LM model,
i) How fiscal policy shifts the IS curve?
ii) How monetary policy shifts the LM curve? **(10+10=20 Marks)**

Q. No.4 What is impact of an increase in taxes on the interest rate, income, consumption and investment? **(20 Marks)**

SECTION-B

Q. No.5 **a)** Explain the difference between economic development and economic growth.

b) What are the obstacles to economic development? **(10+10=20 Marks)**

Q. No.6 Write notes on following:
i) Foreign direct investment
ii) Issues in free flow of Trade under WTO **(10+10=20 Marks)**

Q. No.7 Define monetary policy. How it can be used to promote economic growth of the country? **(20 Marks)**

Q. No.8 What is meant by developing countries? Explain the common characteristics of developing countries. **(20 Marks)**