

PUNJAB PUBLIC SERVICE COMMISSION

COMBINED COMPETITIVE EXAMINATION FOR RECRUITMENT TO THE POSTS OF PROVINCIAL MANAGEMENT SERVICE, ETC. – 2015

SUBJECT: ECONOMICS (PAPER-I)

TIME ALLOWED: THREE HOURS

MAXIMUM MARKS: 100

Note: Write answer in English or Urdu. Use of calculator is allowed

SECTION I

- Q.1. Price effect is composed of income effect and substitution effect. Discuss this statement in the light of Hicksian and Slutsky approaches.
- Q.2. Explain the concept of three stages of production with the help of a diagram. How three stages of production can be used for production decisions?
- Q.3. What are the conditions for least cost combination of inputs? Show the maximization of output with the help of isocost and isoquants at a given total cost.
- Q.4. What are the characteristics of perfect competition? Under perfect competition average revenue (AR) equals average cost (AC) in the long run equilibrium. Yet why do firms produce under such a condition?
- Q.5. What are the conditions necessary for price discrimination to be possible and worthwhile? Show how a profit maximizing discriminating monopolist allocate his output between two markets and charge different prices?
- Q.6. Explain and illustrate graphically Sweezy's kinked demand curve theory of rigidity in oligopoly. Are prices in oligopoly really sticky? What are the weaknesses of this model?
- Q.7. Write a note on the following:
- Marginal rate of substitution (MRS)
 - Returns to scale
 - Dumping
 - Monopsony

SECTION II

- Q.8. (a) Differentiate the following:
- Exponential and Logarithmic functions
 - Necessary and Sufficient conditions
 - Partial Market Equilibrium and General Market Equilibrium
- (b) State all possible conditions for relative maxima and minima used in unconstrained optimization of a multivariate function.
- Q.9. (a) What do you understand by extreme values?
- (b) Optimize the objective function subject to the following constraint
- $$Z = 8x^2 + 6y^2 - 2xy - 40x - 420y + 180$$
- Subject to
- $$X + Y = 5$$
- Use Lagrangian Multiplier Method for finding the values of x and y .
 - Use bordered Hessian determinants for 2nd order condition.
- Q.10. (a) What do you understand by derivative? Bring out the difference between slope and elasticity.
- (b) Given $Q = 400 - 8P + 0.05Y$
Where $P = 15$ and $Y = 12000$
Find
- Price elasticity of demand
 - Income elasticity of demand

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Note: Attempt THREE questions from Section-A and TWO questions from Section-B. All questions carry equal marks.

SECTION-A

- Q.1. What is Trade Cycle? Explain its Phases Characteristics and measures to control Trade Cycle.
- Q.2. Differentiate between Marginal Efficiency of Capital (MEC) and Marginal Efficiency of Investment (MEI). Explain the factors for the determination of MEC.
- Q.3. In what respect Keynes Theory of Income and Employment differs from Classical Theory of Income and Employment? Explain.
- Q.4. What is Fiscal Policy? Write in details the Objective and tools of Fiscal Policy.

SECTION-B

- Q.5. Differentiate between Economic Development and Economic Growth. Explain the methods for the measurement of Economic Development.
- Q.6. Explain the Importance and Problems of Industries in Pakistan.
- Q.7. What is World Trade Organization (WTO)? Explain its functions and Impact on Pakistan.

The Me you have always known, the Me that's a stranger still.