

PUNJAB PUBLIC SERVICE COMMISSION
COMBINED COMPETITIVE EXAMINATION
FOR RECRUITMENT TO THE POSTS OF
PROVINCIAL MANAGEMENT SERVICE, ETC.

ECONOMICS (OPTIONAL) PAPER-I

TIME ALLOWED: 3 HOURS

MAXIMUM MARKS: 100

Note: Write Answer in English or Urdu.

SECTION-I

(Answer Any Four Questions)

- Q.1:** Explain the relationship among Elasticity of demand, AR, TR and MR with a downward sloping demand curve. (6,5,5)
- Q.2:** What are the two suggested methods for the decomposition of Price effect into Income effect and substitution effect. Illustrate with the help of Indifference curve analysis. (8,8)
- Q.3:** Analyze the relationship between short run and long run average cost curves in case of: (6,5,5)
- (a) Increasing cost industries (b) Decreasing cost industries
(c) Constant cost industries
- Q.4:** How would you explain all the possible cases of short-run equilibrium of the competitive firm? (16)
- Q.5:** What is monopolistic competition? Explain short run and long run equilibrium under this market structure. (4,6,6)
- Q.6:** Distinguish between collusive and non-collusive oligopoly. Discuss kinked demand curve as an operational tool for the determination of equilibrium. (4,12)
- Q.7:** Write notes on any two of the following: (8,8)
- (a) Production Possibility Frontier
(b) The Law of Variable Proportion
(c) Price Discrimination

SECTION - II

(Answer Any Two Questions)

- Q.8:** (a) Differentiate between the following by giving examples: (4,4,4,6)
- (i) Constants and parameters.
(ii) Continuous and discrete variables.
(iii) Explicit and Implicit functions.
- (b) If $C=60 + 0.6Y$ and $I= 70 + 0.2 Y$ find the equilibrium level of income.
- Q.9:** (a) $Q_d = 15-2P$ $Q_s = 3+P$
- (i) Determine equilibrium price and quantity.
(ii) Find price elasticity of demand at equilibrium price. (3,3,3)
- (b) The given total cost function is $TC=20 + 5q+q^2$ and total revenue function is $75q-4q^2$. Calculate
- (i) MC and AC
(ii) MR and AR
(iii) Profit maximizing level of output (3,3,3)
- Q.10:** (a) What is constrained optimization
(b) Describe the two ways in which constrained optimization problems can be solved.
- (c) The firm has the production function $Q=5LM$ subject to constraint $M=100-2L$. Find profit maximizing units of labour (L) and raw material (M). (4,8,6)