

KHYBER PAKHTOON KHWA PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION FOR THE POSTS OF PROVINCIAL
MANAGEMENT SERVICE (BPS-17) 2013

ECONOMICS PAPER-I

TIME ALLOWED: THREE HOURS

MAXIMUM MARKS: 100

Note: Attempt any FIVE questions. Please be brief and to the point. Support your answer through diagrams, examples and verbal arguments. All questions carry equal marks.

- Q1:** What is Price Elasticity of Demand? How it can be measured? What are the determinants of Price Elasticity of Demand?
- Q2:** Define income and substitution effects of a price change. Using Hicksain method illustrate graphically the decomposition of substitution and income effects of change in price of a normal commodity
- Q3:** How a firm can be in Equilibrium under Perfect Competition in the Short Run?
- Q4:** How is a firm's demand curve for a particular variable factor input constructed when there is (i) only one variable input, (ii) two variable inputs in the productivity process?
- Q5:** Define GDP. How will you measure it?
- Q6:** What is inflation? Distinguish between demand-pull inflation and cost-push inflation.
- Q7:** What are the transactions that are recorded in the current account and the capital account?
- Q8:** What are the equation of exchange and the velocity of circulation? What assumptions are necessary to make the equation of exchange the quantity theory of money?