Q.1. Select the best option/answer and fill in the appropriate box on the Answer Sheet. (20)

(i) Demand curve in case of Giffen good is:
(a) Negatively sloped (b) Vertical
(c) Positively sloped (d) None of these

(ii) Price consumption curve in case of complementary goods is:
(a) Downward sloping (b) Vertical
(c) Upward sloping (d) None of these

(iii) In case of two goods, following utility approach, a consumer is in equilibrium when:
(a) $MU_x/P_x = MU_y/P_y$ (b) $MU_x/P_x < MU_y/P_y$
(c) $MU_x/M_x > MU_y/P_y$ (d) Both (b) and (c)

(iv) In short run:
(a) Labour is variable (b) Both labour and capital are variable
(c) Both labour and capital fixed (d) None of these

(v) When MC is equal to AC, the AC:
(a) Increases (b) Decreases
(c) Remains constant (d) None of these

(vi) Normal profit, excess profit and loss of the firm depends on level of:
(a) Average costs in short run (b) Total costs in short run
(c) Marginal costs in short run (d) All of these

(vii) In case of perfect competition, the sellers are:
(a) Two (b) A few
(c) Very large (d) None of these

(viii) The firm is in equilibrium when:
(a) Slope of $TC = $Slope of $TR$ (b) Slope of $TC$ is less than slope of $TR$
(c) Slope of $TC$ is more than slope of $TR$ (d) None of these

(ix) The Marginal Revenue Product of labour $MRP_L$ is:
(a) $MR \times MP$ (b) $MR / MP$
(c) $MR - MP$ (d) Both (b) and (c)

(x) In case of imperfect competition the $MRP_L$ is the:
(a) Supply of labour curve (b) Demand for labour curve
(c) Both of these (d) None of these

(xi) Per Capita Income is calculated as:
(a) $N.I + Population$ (b) $N.*Population$
(c) $N.I / Population$ (d) Both (a) and (c)

(xii) Gross Domestic Product equals:
(a) $GNP - NFI$ (b) $GNP + NFI$
(c) $GNP - indirect taxes$ (d) Both (a) and (c)

(xiii) The deposit multiplier is always:
(a) Greater than one (b) Less than one
(c) Equal to one (d) None of these

(xiv) Money can be a standard of deferred payments only if the value of money itself:
(a) Remains stable (b) increases
(c) Decreases (d) None of these
ECONOMICS, PAPER-I
(xv) The fiscal policy with a deliberate policy action is:
   (a) Expansionary fiscal policy
   (b) Concretionary fiscal policy
   (c) Discretionary fiscal policy
   (d) All of these
(xvi) Trade based on absolute advantage was presented by:
   (a) Alfred Marshall
   (b) Adam Smith
   (c) Lionel Robbins
   (d) None of these
(xvii) According to Keynes, the relationship between money supply and rate of interest is:
   (a) Negative
   (b) Positive
   (c) Indirect
   (d) None of these
(xviii) An object that is generally accepted in exchange for goods and services is called:
   (a) Standardized money
   (b) Medium of exchange
   (c) Unit of account
   (d) All of these
(xix) The account in balance of payment that consists of all transactions in financial assets is known as:
   (a) Capital account
   (b) Current account
   (c) Official Reserve account
   (d) None of these
(xx) The difference between exports and imports of visible items of a country is called:
   (a) Budget surplus
   (b) Balanced budget
   (c) Balance of trade
   (d) Both (a) and (c)

PART – II

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) Extra attempt of any question or any part of the attempted question will not be considered.

Q.2. What is Consumer’s Equilibrium? How a consumer can be in equilibrium under Ordinal Approach? (20)

Q.3. 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? (20)


Q.5. What is the equation of exchange and the velocity of circulation? What assumptions are necessary to make the equation of exchange the quantity theory of money? (20)

Q.6. Differentiate Balance of Payments and Balance of Trade. What are the transactions that are recorded in the current account and the capital account? (20)

Q.7. Explain the theory of comparative cost by David Ricardo. (20)

Q.8. Define the concept and methods of deficit financing. What are the reasons for deficit financing in Pakistan? (20)

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