



PUNJAB PUBLIC SERVICE COMMISSION

COMBINED COMPETITIVE EXAMINATION 2017 **FOR RECRUITMENT TO THE POSTS OF** **PROVINCIAL MANAGEMENT SERVICE, ETC.**

SUBJECT: ECONOMICS (PAPER-I)

TIME ALLOWED: THREE HOURS

MAXIMUM MARKS: 100

NOTE: **Attempt in Urdu or English. Attempt in Urdu or English.**
Calculator is Allowed. (not programmable)

SECTION-I

(ANSWER ANY FOUR QUESTIONS)

Q No. 1: What is meant by 'production possibility frontier'? What factors determine the production possibility frontier of an economy? How are the points below and above the production possibility frontier different from the points on the frontier curve?
(4+6+6 Marks)

Q No. 2: Illustrate the difference between the Hicksian and Slutsky methods of separating income and substitution effects of price change of a normal good. Which method gives, in your opinion, a better measure of the two effects and why?
(10+6 Marks)

Q No. 3: What are the conditions for least cost combination of inputs? Show the maximization of output with the help of isocosts and isoquants at a given total cost.
(6+10 Marks)

Q No. 4: What is the foundation of the modern theory of cost? How do you think modern theory explains the firm's behavior more accurately than the traditional theory of cost?
(8+8 Marks)

Q No. 5: Explain the short-run equilibrium of a competitive firm. When would a competitive firm close down its business in the short-run?
(8+8 Marks)

Q No. 6: What are the necessary conditions of price discrimination under monopoly? Show how a profit maximizing discriminating monopolist allocate his output between two markets and charge different prices?
(8+8 Marks)

Q No. 7: Write a short note on the following:- **(4x4=16 Marks)**

- i) Characteristics of monopolistic competition.
- ii) Sweezy's Kinked demand model.
- iii) Difference between price elasticity of demand and income elasticity of demand.
- iv. Marginal rate of substitution.