Lecturer (BPS-17), Economics — 2024 · Solved Past Paper

Body: Sindh Public Service Commission (SPSC) · **Post:** Lecturer (BPS-17), Economics · **Year:** 2024 · **Questions:** 50 in the original paper — **50 solved and verified**, none excluded · **Price:** Free

> **How to use this paper:** each question shows the stem, the four options, and the correct answer. Click “Why each option?” under a question to see all four options explained — one question teaches four topics. General Knowledge answers are as of the 2024 sitting.

Source note: testpointpk reproduction, paper 165, 'Economics Lecturer Past Paper 29-04-2024 by SPSC' (50 stems, 10 per page over 5 pages, every stem with four options and a printed key; direct-curl raw HTML). 0 printed-key errors — all 50 asserted answers agree with the reproduction's printed keys; 2 PICK-ONE (Q11 monopolistic-competition long-run equilibrium, where excess capacity is also true; Q40 elasticity with no base price stated in the stem). No second full reproduction found. Answers verified independently against standard references, never from the printed key alone.

Question 1 English (Vocabulary)

The Antonym of Expand is?

- A. Condense
- B. Shorten
- C. Conclude
- D. Both A and B ✓ **Correct answer**

A. True as far as it goes: condense means to make denser or shorter, an antonym of expand; alone it is one of two valid antonyms offered.

r as it goes. shorten means to make shorter, an antonym of expand; alone it is one of two valid antonyms offered.

C. Wrong: conclude means to finish or infer, not the opposite of expand.

D. Correct: both condense and shorten are antonyms of expand.

Question 2 English (Vocabulary)

The Synonym of Abhor is?

- A. See
- B. Hate ✓ **Correct answer**
- C. Equipe
- D. None of the above

A. Wrong: see is unrelated to abhor (to hate).

B. Correct: abhor means to hate intensely.

C. Wrong: garbled option (French "équipe" = team), not a synonym of abhor.

D. Wrong: hate (B) is the synonym.

Question 3 English (Vocabulary)

Which one is the synonym for "humble"?

- A. Modest ✓ **Correct answer**
- B. Headstrong
- C. Timeless
- D. None of these

A. Correct: humble means modest, not proud.

B. Wrong: headstrong means stubborn, the opposite of humble.

neless means eternal, unrelated to humility.

D. Wrong: modest (A) is the synonym.

Question 4 English (Vocabulary)

The Synonym of ARROGANT is?

- A. Conceited
- B. Bossy
- C. Impudent
- D. All of these ✓ **Correct answer**

A. True as far as it goes: conceited means having too high an opinion of oneself, a synonym of arrogant; alone it is one of three offered.

B. True as far as it goes: bossy (domineering) is a near-synonym of arrogant; alone it is one of three offered.

C. True as far as it goes: impudent (rude, disrespectful) is a near-synonym of arrogant; alone it is one of three offered.

D. Correct: conceited, bossy and impudent are all synonyms of arrogant.

Question 5 English (Grammar)

How much _____ where you live?

- A. Do houses cost ✓ **Correct answer**
- B. Does houses cost
- C. Does cost houses
- D. Do cost house

A. Correct: "How much do houses cost where you live?" — plural subject "houses" takes "do".

oes" does not agree with plural "houses".

C. Wrong: wrong word order; "does cost houses" is not a valid question form.

D. Wrong: wrong word order, and "house" should be plural "houses".

Question 6 Economics (Trade)

MFN is the abbreviation of?

- A. The most favored nation ✓ **Correct answer**
- B. The most favorite nation
- C. The most friendly nation
- D. None of these

A. Correct: MFN stands for Most Favoured Nation (trade status).

B. Wrong: "favorite" is not the term; the trade term is "favoured".

C. Wrong: friendliness has nothing to do with MFN status.

D. Wrong: the most favoured nation (A) is correct.

Question 7 Economics (Fiscal Policy)

If Fiscal Policy is trying to promote stability and economic growth through tax cuts, what type of policy is Fiscal policy using?

- A. Expansionary Fiscal Policy ✓ **Correct answer**
- B. Restrictive Fiscal Policy
- C. Easy Money Policy
- D. Tight Money Policy

A. Correct: tax cuts to promote stability and growth increase demand — expansionary fiscal policy.

B. Wrong: restrictive (contractionary) fiscal policy uses tax rises and spending cuts, the

C. Wrong: easy money is a monetary-policy term, not fiscal policy.

D. Wrong: tight money is monetary policy, and it contracts rather than expands.

Question 8 Economics (Unemployment)

The natural rate of unemployment is?

- A. The unemployment rate that exists when the economy is in a recession
- B. The unemployment rate that exists when the economy is in a boom
- C. The unemployment rate that exists when the economy is at full employment ✓ **Correct answer**
- D. The unemployment rate that exists when the economy is in a depression

A. Wrong: in a recession unemployment is above the natural rate.

B. Wrong: in a boom unemployment is below the natural rate.

C. Correct: the natural rate is the unemployment rate when the economy is at full employment (frictional + structural only).

D. Wrong: in a depression unemployment is far above the natural rate.

Question 9 Economics (Money)

The monetary base consists of the?

- A. Reserve at the Federal Reserve plus vault cash
- B. Deposits of member banks at the Federal reserve
- C. Euro-dollars and foreign deposits at the Federal Reserve
- D. Reserves plus currency in circulation ✓ **Correct answer**

A. Wrong: that is only the reserves component, not the whole monetary base.

B. Wrong: deposits are only part of reserves, not the whole base.

Eurodollars are not part of the domestic monetary base.

D. Correct: the monetary base (high-powered money) is currency in circulation plus bank reserves.

Question 10 Economics (Elasticity)

If the elasticity of demand for a product is -0.5, this means that?

- A. Demand is perfectly elastic
- B. Demand is inelastic ✓ **Correct answer**
- C. Demand is unit elastic
- D. Demand is elastic

A. Wrong: perfectly elastic means elasticity is infinite, not -0.5.

B. Correct: $|-0.5| < 1$, so demand is inelastic.

C. Wrong: unit elastic means elasticity is -1, not -0.5.

D. Wrong: elastic means $|\text{elasticity}| > 1$, but here it is 0.5.

Question 11 Economics (Market Structure)

In monopolistic competition, long-run equilibrium involves?

- A. Zero economic profit ✓ **Correct answer**
- B. Perfect price discrimination
- C. Excess capacity
- D. Homogeneous products

A. Correct: in the long run, entry drives price down to average total cost, so economic profit is zero — the equilibrium condition.

B. Wrong: monopolistically competitive firms do not perfectly price-discriminate.

C. Wrong as the picked answer: excess capacity is a true property of the long-run

the firm produces below minimum efficient scale), but the equilibrium condition itself is zero economic profit; recorded in the note below.

D. Wrong: monopolistic competition is defined by differentiated, not homogeneous, products. PICK-ONE (decided by the assistant under the owner's 8 Nov 2026 delegation): the printed key A "Zero economic profit" is kept as the equilibrium condition (entry drives price to average total cost), but C "Excess capacity" is also a true property of that equilibrium — the firm produces below minimum efficient scale — so the item is recorded as PICK-ONE rather than VERIFIED.

Question 12 Economics (Cost)

At any level of output where short run average cost curve is tangent to the long run average cost curve then we also have?

- A. LMC > SMC
- B. LMC < SMC
- C. LMC = SMC ✓ **Correct answer**
- D. LMC = LAC

A. Wrong: at the tangency, the short-run and long-run marginal costs are equal, not greater.

B. Wrong: at the tangency they are equal, not less.

C. Correct: where SRAC is tangent to LRAC, short-run marginal cost equals long-run marginal cost.

D. Wrong: marginal cost equals average cost only at the minimum of the average curve, not generally at the tangency.

Question 13 English (Vocabulary)

The Synonym of Virtue is?

- B. Appropriate
- C. Evil
- D. Goodness ✓ **Correct answer**

A. Wrong: vice is the opposite of virtue.

B. Wrong: appropriate means suitable, not a synonym of virtue.

C. Wrong: evil is the opposite of virtue.

D. Correct: virtue means moral goodness.

Question 14 Economics (Statistics)

The standard deviation of a data set tells us?

- A. The average distance from the mean ✓ **Correct answer**
- B. The exact values in the data set
- C. The highest and lowest values
- D. How many data points there are

A. Correct: the standard deviation measures the typical spread of data around the mean (loosely, the average distance from it).

B. Wrong: standard deviation is a single summary number, not the values themselves.

C. Wrong: the highest and lowest values give the range, not the standard deviation.

D. Wrong: the count of data points is the sample size, not the standard deviation.

Question 15 Economics (Trade Theory)

Theory of comparative advantage was presented by?

- A. Adam Smith
- B. David Ricardo ✓ **Correct answer**

- D. Hicks

A. Wrong: Smith presented absolute advantage, not comparative advantage.

B. Correct: Ricardo presented the theory of comparative advantage (1817, Principles of Political Economy).

C. Wrong: Ohlin (with Heckscher) developed factor-endowment trade theory, not comparative advantage.

D. Wrong: Hicks worked on value, capital and welfare economics, not comparative advantage.

Question 16 Economics (Growth)

The Solow Growth Model predicts that?

- A. Rich nations will grow faster than poor nations
- B. The rich will get richer and the poor will get poorer
- C. The rich will get poorer and the poor will get richer
- D. Poor nations will grow faster than rich nations ✓ **Correct answer**

A. Wrong: the Solow model predicts the opposite (convergence).

B. Wrong: that is a divergence claim, not the Solow prediction.

C. Wrong: the model predicts faster growth for the poor, not that the rich get poorer in absolute terms.

D. Correct: the Solow model predicts convergence — poor nations (with less capital per worker) grow faster.

Question 17 Economics (National Income)

What is the correct formula for GDP Deflator?

- B. Nominal GDP + Real GDP
- C. Nominal GDP / Real GDP ✓ **Correct answer**
- D. Real GDP / Nominal GDP

A. Wrong: the difference is not the deflator.

B. Wrong: the sum is meaningless.

C. Correct: the GDP deflator is (Nominal GDP / Real GDP) × 100.

D. Wrong: the ratio is inverted.

Question 18 Economics (Aggregate Demand)

Which of the following could cause the aggregate demand curve to shift to the left?

- A. An increase in the money supply
- B. Contractionary demand management policies ✓ **Correct answer**
- C. Expansionary demand management policies
- D. An increase in government spending

A. Wrong: an increase in the money supply shifts aggregate demand to the right, not left.

B. Correct: contractionary demand management (tighter fiscal or monetary policy) reduces spending and shifts AD left.

C. Wrong: expansionary policies shift AD to the right.

D. Wrong: more government spending shifts AD to the right.

Question 19 Economics (Production)

In production theory, the short run is a period?

- A. Generally less than three years
- B. Sufficient to adopt new technology

ing which at least one resource is fixed ✓ **Correct answer**

- D. When only labour can be varied

A. Wrong: the short run is defined by fixed factors, not by a calendar length.

B. Wrong: adopting new technology belongs to the long run.

C. Correct: in the short run at least one resource (usually capital) is fixed.

D. Wrong: the short run is not defined by labour being the only variable factor.

Question 20 Economics (Market Structure)

In monopolistic competition, product differentiation refers to?

- A. Offering products that are similar but not identical ✓ **Correct answer**
- B. Offering identical products to consumers
- C. Offering unique products with no substitutes
- D. Offering products at the same price as competitors

A. Correct: product differentiation means offering products that are similar but not identical.

B. Wrong: identical products are the homogeneous-goods case (perfect competition).

C. Wrong: products with no substitutes would be monopolies, not differentiated competition.

D. Wrong: differentiation is about the product itself, not about matching rivals' prices.

Question 21 Economics (Consumer Theory)

Inferior goods are the goods which?

- A. Have zero income elasticity
- B. Have negative income elasticity ✓ **Correct answer**
- C. Have less than one but greater than zero Income elasticity

ple have no preference of consuming

A. Wrong: zero income elasticity means demand does not respond to income at all.

B. Correct: inferior goods have negative income elasticity — demand falls as income rises.

C. Wrong: income elasticity between zero and one describes necessities (normal goods), not inferior goods.

D. Wrong: people do consume inferior goods; they simply buy less of them as income rises.

Question 22 English (Grammar)

We gave _____ a meal.

- A. At the visitors
- B. For the visitors
- C. The visitors ✓ **Correct answer**
- D. None of these

A. Wrong: "gave at the visitors a meal" is ungrammatical.

B. Wrong: "gave for the visitors a meal" is ungrammatical; the indirect object takes no preposition here.

C. Correct: "We gave the visitors a meal" — the indirect object (the visitors) needs no preposition.

D. Wrong: "the visitors" (C) completes the sentence.

Question 23 Economics (Consumer Theory)

If the household consumes along the budget constraint where MUx/Px > MUy/Py then assuming normal preferences, we are sure that?

- A. Price of X is greater than price of Y

x > MUy

- C. The household could increase his total utility by consuming more of X and less of Y ✓ **Correct answer**
- D. Household is not spending all his income

A. Wrong: the comparison of marginal utilities per rupee says nothing directly about which price is higher.

B. Wrong: MUx > MUy alone does not follow — the comparison is of utility per rupee, not raw utility.

C. Correct: when MUx/Px > MUy/Py, shifting spending from Y to X raises total utility.

D. Wrong: the household is on the budget constraint, so it is spending all its income.

Question 24 Economics (Business Cycle)

The period of the business cycle in which read GDP is increasing is called the?

- A. Expansion ✓ **Correct answer**
- B. Peak
- C. Recession
- D. Trough

A. Correct: the phase in which real GDP is rising is the expansion.

B. Wrong: the peak is the turning point at the top, not the rising phase itself.

C. Wrong: a recession is when real GDP is falling, not rising.

D. Wrong: the trough is the turning point at the bottom, not the rising phase.

Question 25 Economics (Fiscal Policy)

The term "crowding out" refers to?

- A. The decrease in private investment that occurs when government borrowing

ses ✓ **Correct answer**

- B. The increase in private investment that occurs when government borrowing decreases
- C. The decrease in government spending that occurs when private investment increases
- D. The increase in government spending that occurs when private investment decreases

A. Correct: crowding out is the fall in private investment caused by higher government borrowing (which pushes up interest rates).

B. Wrong: that describes crowding in, the opposite.

C. Wrong: crowding out concerns private investment falling, not government spending.

D. Wrong: that reverses the direction — government spending rises first, private investment falls.

Question 26 Economics (National Income)

The difference between the Gross value added and Net value added is?

- A. Investment
- B. Value added
- C. Production flow
- D. Depreciation ✓ **Correct answer**

A. Wrong: investment is gross fixed capital formation, not the GVA–NVA gap.

B. Wrong: value added is the thing being differenced, not the difference.

C. Wrong: production flow is not the difference between gross and net value added.

D. Correct: net value added = gross value added minus depreciation (consumption of fixed capital).

27 Economics (Banking)

What does the term "lender of last resort" refer to in the context of central banking?

- A. A bank providing loans to commercial banks during times of financial crisis ✓ **Correct answer**
- B. A Commercial bank providing loans to the central bank
- C. A government agency providing loans to individuals and businesses
- D. A central bank offering loans to foreign governments

A. Correct: the lender of last resort is the central bank lending to commercial banks in a crisis.

B. Wrong: commercial banks do not lend to the central bank in this role.

C. Wrong: a government agency lending to individuals is not the lender of last resort.

D. Wrong: lending to foreign governments is not what the term means.

Question 28 Economics (Perfect Competition)

A purely competitive firm will produce where P = MC because this?

- A. Is good for society
- B. Is all that is permitted by law
- C. Maximizes profits ✓ **Correct answer**
- D. Allows price adjustment but not quantity adjustment

A. Wrong: "good for society" is a welfare judgement, not the firm's reason for producing at P = MC.

B. Wrong: the law does not require firms to produce where P = MC.

C. Correct: a competitive firm maximises profit where price equals marginal cost.

D. Wrong: at P = MC the firm chooses quantity; the statement about adjustment is not the reason.

29 Economics (Labour)

All profit-maximizing firm will hire more labour up to the point where the?

- A. Average physical product of labour equals the nominal wage
- B. Last unit of labour adds equally to total revenue and total cost ✓ **Correct answer**
- C. Marginal product of Labour is at its maximum value
- D. Value of output most greatly exceeds labour's marginal factor cost

A. Wrong: hiring stops where marginal revenue product equals the wage, not where average product equals the wage.

B. Correct: the firm hires labour until the last unit adds as much to total revenue as to total cost (MRP = MFC).

C. Wrong: hiring at maximum marginal product would be far too early — profit maximisation needs MRP = wage.

D. Wrong: garbled — the rule is marginal revenue product equals marginal factor cost, not a maximum gap.

Question 30 Economics (Demand)

If demand function for good X is given by X^D = 1500 - 1.3P, - 1, 8P + 2M then we know that?

- A. Own price elasticity is -1.3
- B. Goods X and Y are substitute to each other
- C. Goods X and Y are complements to each other ✓ **Correct answer**
- D. Income Elasticity of X is -2

A. Wrong: −1.3 is the slope coefficient on own price, not the own-price elasticity.

B. Wrong: the negative cross-price coefficient (−1.8) means the goods are complements, not substitutes.

negative coefficient on the other good's price (−1.8) means that when Y's price rises, demand for X falls — the goods are complements.

D. Wrong: +2 is the income coefficient, not an elasticity, and it is positive, not −2. The demand function is garbled as printed ("X^D = 1500 - 1.3P, - 1, 8P + 2M"), read as X^D = 1500 − 1.3Px − 1.8Py + 2M; the reading is recorded openly because the printed punctuation is broken.

Question 31 English (Vocabulary)

The Synonym of Lethargy is?

- A. Serenity
- B. Laxity ✓ **Correct answer**
- C. Active
- D. Bold

A. Wrong: serenity means calmness, not sluggishness.

B. Correct: laxity (slackness, lack of energy) is the closest synonym of lethargy among the options; true synonyms such as sluggishness and lassitude are not offered.

C. Wrong: active is the opposite of lethargic.

D. Wrong: bold means brave, unrelated to lethargy.

Question 32 English (Vocabulary)

The Antonym of Ubiquitous is?

- A. Scarce
- B. Rare
- C. Pervasive
- D. Both A and B ✓ **Correct answer**

A. True as far as it goes: scarce (rarely found) is an antonym of ubiquitous; alone it is one

antonyms offered.

B. True as far as it goes: rare is an antonym of ubiquitous (present everywhere); alone it is one of two valid antonyms offered.

C. Wrong: pervasive means spread everywhere — a synonym of ubiquitous, not its antonym.

D. Correct: both scarce and rare are antonyms of ubiquitous.

Question 33 Economics (Cost)

A company has a cost function $C(Q) = 2\,Q^2 + 10Q + 50$. What is the marginal cost of producing the 5th one of output?

- A. $20
- B. $30 ✓ **Correct answer**
- C. $40
- D. $50

A. Wrong: MC = 4Q + 10 gives 30 at Q = 5, not 20.

B. Correct: MC = dC/dQ = 4Q + 10; at Q = 5, MC = 20 + 10 = $30.

C. Wrong: 40 would need 4Q + 10 = 40, i.e. Q = 7.5, not 5.

D. Wrong: 50 is the fixed cost (the constant term), not the marginal cost. MC is found by the derivative method (MC = dC/dQ = 4Q + 10 = 30 at Q = 5); the discrete C(5) − C(4) = $28 is not among the options, so the paper's convention is the derivative.

Question 34 Economics (Unemployment)

Frictional unemployment often occurs when?

- A. The economy enters a recession
- B. People first enter the labour force ✓ **Correct answer**

ple are discriminated against

- D. People lose a job because their skills are no longer needed

A. Wrong: a recession causes cyclical unemployment, not frictional.

B. Correct: frictional unemployment arises while people search between jobs, including first-time entrants to the labour force.

C. Wrong: discrimination is not a cause of frictional unemployment.

D. Wrong: obsolete skills cause structural unemployment, not frictional.

Question 35 Economics (Aggregate Demand)

The aggregate demand curve slopes downward because of the?

- A. Wealth effect
- B. Interest rate effect
- C. Exchange rate effect
- D. All of these ✓ **Correct answer**

A. True as far as it goes: the wealth effect (higher prices reduce real wealth and spending) is one reason AD slopes down; alone it is one of three.

B. True as far as it goes: the interest-rate effect (higher prices raise interest rates and cut investment) is one reason AD slopes down; alone it is one of three.

C. True as far as it goes: the exchange-rate effect (higher prices make exports dearer) is one reason AD slopes down; alone it is one of three.

D. Correct: the aggregate demand curve slopes down because of all three — the wealth, interest-rate and exchange-rate effects.

Question 36 Economics (Pakistan Economy)

The biggest challenge Pakistan's economy in 2022-23 was?

- B. Rising inflation ✓ **Correct answer**
- C. Low employment
- D. Current account deficit

A. Wrong: low literacy is a chronic problem, not the defining crisis of 2022-23.

B. Correct: CPI inflation peaked at 38% in May 2023 and averaged about 29% in FY2023 — the biggest challenge of 2022-23.

C. Wrong: low employment is chronic, not the acute 2022-23 crisis.

D. Wrong: the current account deficit was severe in FY2022 but had narrowed sharply (to about $2.9bn) by FY2023; inflation was the dominant challenge.

Question 37 Economics (Monetary Theory)

According to classical economic theory, a decrease in the money supply would?

- A. Raise the price level and output in the economy
- B. Lower the price level and output in the economy
- C. Lower the price level in the economy ✓ **Correct answer**
- D. Raise the price level and lower output in the economy

A. Wrong: classical theory says a smaller money supply lowers the price level, not raises it.

B. Wrong: classical money neutrality means output is unchanged; only the price level falls.

C. Correct: under classical theory a decrease in the money supply lowers the price level, with output unchanged.

D. Wrong: the price level falls and output is unchanged, not the reverse.

Question 38 Economics (Revenue)

Total revenue equals?

e times quantity ✓ **Correct answer**

- B. Marginal revenue times marginal cost
- C. Profit per unit of output
- D. Total cost minus profit

A. Correct: total revenue = price × quantity sold.

B. Wrong: marginal revenue times marginal cost is not total revenue.

C. Wrong: profit per unit is (price − average total cost), not total revenue.

D. Wrong: total cost minus profit is not total revenue (total revenue = total cost + profit).

Question 39 Economics (Oligopoly)

Which of the following oligopoly model are concerned with the maximization of joint profit?

- A. Collusive model ✓ **Correct answer**
- B. Bertrand model
- C. Cournot model
- D. Edgeworth model

A. Correct: the collusive model (cartel) has firms cooperating to maximise joint profit.

B. Wrong: the Bertrand model is price competition, not joint-profit maximisation.

C. Wrong: the Cournot model is quantity competition with independent profit maximisation.

D. Wrong: the Edgeworth model is a price-competition model with capacity limits, not joint-profit maximisation.

Question 40 Economics (Elasticity)

Given own price elasticity equal to -2.5 implies that if the price of the good increase by

he quantity demanded of the good?

- A. Will decrease by 2.5 units
- B. Will Increase by 2.5 units
- C. Will decrease by 25% ✓ **Correct answer**
- D. None of these

A. Wrong: elasticity is about percentage changes, not units — a fall of 2.5 units does not follow.

B. Wrong: the sign is wrong — a price rise with negative elasticity cuts quantity, it does not raise it.

C. Correct: with elasticity −2.5, a 10% price rise cuts quantity by 25%; the Rs.10 rise is read as 10% on a Rs.100 base (the base price is not stated — see the note below).

D. Wrong: a 25% fall (C) is the intended answer. PICK-ONE (decided by the assistant under the owner's 8 Nov 2026 delegation): the printed key C "decrease by 25%" is kept as the intended answer — a Rs.10 rise is a 10% rise on a Rs.100 base, giving −2.5 × 10% = −25% — but the stem as printed states no base price, so the item is recorded as PICK-ONE rather than VERIFIED.

Question 41 Economics (Supply and Demand)

When both the demand and the supply curves shift to the right due to any reason then?

- A. The quantity traded and price of the good increase for sure
- B. Quantity traded increases for sure but prices decrease
- C. Quantity traded increases for sure but prices remain constant
- D. Quantity traded increases for sure but nothing could be said about prices ✓ **Correct answer**

A. Wrong: quantity rises for sure, but price may rise, fall or stay the same.

B. Wrong: quantity rises for sure, but price does not necessarily fall.

quantity rises for sure, but price does not necessarily stay constant.

D. Correct: both curves shifting right raises the quantity traded for sure, but nothing can be said about price.

Question 42 English (Grammar)

Islamabad isn't _____ Lahore.

- A. As cheap than
- B. So cheap than
- C. So cheap that
- D. As cheap as ✓ **Correct answer**

A. Wrong: "as cheap than" is ungrammatical — "as" pairs with "as", not "than".

B. Wrong: "so cheap than" is ungrammatical — "so" pairs with "that", not "than".

C. Wrong: "so cheap that" needs a consequence clause to follow, which the sentence does not give.

D. Correct: "Islamabad isn't as cheap as Lahore" — the correct comparative construction.

Question 43 Economics (National Income)

The GDP (Gross Domestic Product) of a country is $100 billion. If government spending is $20 billion, Investment is $ 10 billion and net exports are -$5 billion, what is consumption spending?

- A. $75 billion ✓ **Correct answer**
- B. $80 billion
- C. $85 billion
- D. $90 billion

A. Correct: C = GDP − G − I − NX = 100 − 20 − 10 − (−5) = $75 billion.

$30 billion forgets the negative net exports (it computes 100 − 20).

C. Wrong: $85 billion adds net exports instead of subtracting them.

D. Wrong: $90 billion subtracts only government spending.

Question 44 Economics (Business Cycle)

All of the following are parts of the business cycle except? Boom, Slump, Recovery, Acceleration

- A. Boom
- B. Slump
- C. Recovery
- D. Acceleration ✓ **Correct answer**

A. Wrong: a boom is a genuine business-cycle phase (the peak of expansion).

B. Wrong: a slump is a genuine phase (a deep recession).

C. Wrong: a recovery is a genuine phase (the upturn after a trough).

D. Correct: "acceleration" is not a business-cycle phase — the phases are boom, recession/slump, trough and recovery.

Question 45 Economics (Phillips Curve)

The Phillips curve Illustrates the relationship between?

- A. Inflation and unemployment ✓ **Correct answer**
- B. Inflation and GDP growth
- C. Government spending and GDP growth
- D. Interest rates and investment

A. Correct: the Phillips curve shows the (short-run) trade-off between inflation and unemployment.

e Phillips curve does not relate inflation to GDP growth.

C. Wrong: government spending and GDP growth are not what the Phillips curve shows.

D. Wrong: interest rates and investment are related by the IS curve, not the Phillips curve.

Question 46 Economics (Pakistan Economy)

Which sector typically contributes the largest share to Pakistan GDP (Gross Domestic Product)?

- A. Agriculture
- B. Services ✓ **Correct answer**
- C. Industry
- D. Information Technology and Telecommunication

A. Wrong: agriculture is about a quarter of Pakistan's GDP, not the largest share.

B. Correct: services contribute the largest share of Pakistan's GDP (about 58%).

C. Wrong: industry is about a fifth of GDP, smaller than services.

D. Wrong: information technology and telecom is a small slice of services, not the largest sector.

Question 47 Economics (Monetary Policy)

What is the primary objective of a central bank's monetary policy?

- A. Maximizing Government revenue
- B. Achieving price stability and controlling inflation ✓ **Correct answer**
- C. Generating profits for shareholders
- D. Encouraging consumer spending

A. Wrong: maximising government revenue is a fiscal aim, not the central bank's objective.

B. Correct: a central bank's monetary policy aims above all at price stability and controlling

C. Wrong: central banks do not exist to generate profits for shareholders.

D. Wrong: encouraging consumer spending is at most a side-effect, not the primary objective.

Question 48 Economics (Market Structure)

The market structure of monopoly is characterized by?

- A. A single firm producing a good that lacks close substitutes ✓ **Correct answer**
- B. Differentiated products produced by different firms
- C. Marginal revenue [MR] less than price for several firms
- D. Extensive non-price competition

A. Correct: a monopoly is a single firm producing a good with no close substitutes.

B. Wrong: differentiated products from many firms describe monopolistic competition, not monopoly.

C. Wrong: marginal revenue below price for several firms is not the definition of monopoly.

D. Wrong: extensive non-price competition describes monopolistic competition, not monopoly.

Question 49 Economics (Perfect Competition)

A profit maximizing firm under perfect competition will produce?

- A. Only in the first stage of production
- B. Never in the range where MP is diminishing
- C. Always in the range where MP is diminishing ✓ **Correct answer**
- D. Always in the range where AP is rising

e first stage (MP rising) is not where a profit-maximising firm produces.

B. Wrong: the firm does produce where MP is diminishing (stage II); "never" is false.

C. Correct: a profit-maximising competitive firm always produces in stage II, where marginal product is positive but diminishing.

D. Wrong: AP rising is stage I, where the firm would never stop (hiring more labour still raises average product).

Question 50 Economics (Fiscal Policy)

Which of the following is a tool of fiscal policy?

- A. Open market operations
- B. Taxation
- C. Government spending
- D. Both B and C ✓ **Correct answer**

A. Wrong: open market operations are a monetary-policy tool, not a fiscal one.

B. True as far as it goes: taxation is a fiscal-policy tool; alone it is one of two offered.

C. True as far as it goes: government spending is a fiscal-policy tool; alone it is one of two offered.

D. Correct: both taxation and government spending are tools of fiscal policy.

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