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SET 10

JAIBB

Principles of Economics (POE)

Subject Code :	1	0	3

Time—3 hours
Full marks—100
Pass marks—45

[N.B. The figures in the right margin indicate full marks. Answer the questions as mentioned in different parts.]

Part A—Descriptive Questions

(Answer any two questions)

Marks—20×2 = 40

1. (a) Explain the concept of scarcity and the fundamental economic problem it creates. 4+6=10

(b) What is an Indifference Curve? Explain why it is convex to the origin. 10

2. (a) What is monopolistic competition? Explain its key features. 2+8=10

(b) Assess the Ready-Made Garments (RMG) export market of Bangladesh based on the features of market structure. 10

3. (a) Describe the tools of monetary policy used by Bangladesh Bank. 10

(b) What is 'inflation tax'? How does it affect low-income households? 4+6=10

4. (a) Define unemployment. Discuss its major types. 2+8=10

(b) Discuss the major challenges of economic development in Bangladesh. 4+6=10

Part B—Mathematical Problem

(Answer any one question)

Marks—10×1 = 10

5. The demand and supply equations for a certain product are given below:
Qd = 110 - 3P
Qs = 20 + 4P
Where, Qd = Quantity demanded, Qs = Quantity supplied, P = Price of the product.

(a) Find the equilibrium price and quantity. 5

(b) If the Government sets a price ceiling at P = Tk. 12, determine whether there will be a shortage or a surplus, and at what quantity. 5

6. A typical consumer basket contains the following items:
Item: Rice — Quantity: 9 kg — Price in base year (2023): Tk. 62 per kg — Price in current year (2026): Tk. 75 per kg
Item: Edible Oil — Quantity: 3 liters — Price in base year (2023): Tk. 165 per liter — Price in current year (2026): Tk. 195 per liter
Item: Transport — Quantity: 22 trips — Price in base year (2023): Tk. 13 per trip — Price in current year (2026): Tk. 16 per trip

(a) Compute the Consumer Price Index (CPI) for 2026. 5

(b) Calculate the inflation rate between 2023 and 2026. 5

Hints: CPI = [Cost of basket in current year / Cost of basket in base year] x 100; Inflation = [(CPI current year - CPI base year) / CPI base year] x 100; Base year CPI 2023 = 100.

Part C—Case Study

(Answer any one of two questions)

Marks—20×1 = 20

7. Review the following case study and provide concise, to-the-point responses to the subsequent questions. Responses should be expressed with clarity and precision.

A growing number of NGOs and commercial banks in Bangladesh have launched youth entrepreneurship financing programs, offering small collateral-free loans combined with basic business training to young entrepreneurs, particularly in semi-urban and rural areas where formal job opportunities are scarce. Early results suggest that participants who complete the business training component have notably lower default rates than those who receive financing alone, suggesting that the training helps borrowers manage cash flow and avoid common early-stage business mistakes. However, program capacity remains limited relative to the scale of youth unemployment, and some critics argue that self-employment financing is being used as a substitute for the more difficult task of creating stable wage employment through industrial growth.

(a) What is collateral-free financing? 2

(b) Why might participants who complete business training have lower default rates than those who receive financing alone? 3

(c) Why is youth unemployment considered a significant economic concern for a country like Bangladesh? 4

(d) Analyze the critics' argument that self-employment financing is being used as a substitute for industrial job creation. 5

(e) What would you recommend to scale up youth entrepreneurship financing while still promoting stable wage employment growth? 6

8. Review the following case study and provide concise, to-the-point responses to the subsequent questions. Responses should be expressed with clarity and precision.

During a period of acute dollar shortage, Bangladesh Bank intervened directly in the foreign exchange market by selling dollars from its reserves to commercial banks to help them settle import payments and letters of credit. The intervention temporarily eased pressure on the Taka but also drew down gross reserves considerably over a short period. Officials argued that the intervention was necessary to prevent a disorderly depreciation of the currency that could have sharply raised import prices and fueled inflation further. Critics warned that repeated reserve drawdowns to defend the exchange rate were not sustainable and that allowing greater exchange rate flexibility earlier might have required smaller, more gradual interventions rather than large, reactive sales.

(a) What is foreign exchange market intervention? 2

(b) Why might selling dollars from reserves help ease pressure on a currency in the short term? 3

(c) What risk does repeated reserve drawdown pose for a central bank's ability to defend the exchange rate in the future? 4

(d) Analyze the trade-off between defending the exchange rate through intervention and allowing greater exchange rate flexibility. 5

(e) Do you think Bangladesh Bank's intervention strategy was appropriate in this situation? Justify your answer. 6

Part D—Understanding Terminology

(Answer any five questions)

Marks—2×5 = 10

9. Answer any five questions:

(a) Distinguish between market failure and government failure. 2

(b) What are the differences between monopolistic competition and oligopoly? 2

(c) Distinguish between explicit cost and implicit cost. 2

(d) Differentiate between frictional unemployment and cyclical unemployment. 2

(e) What is the difference between direct tax and indirect tax? 2

(f) Distinguish between devaluation and depreciation. 2

(g) What are the differences between Balance of Payment (BOP) and Balance of Trade (BOT)? 2

(h) How is Islamic banking different from conventional banking? 2

Part E—Short Questions

(Answer any five questions)

Marks—4×5 = 20

10. Answer any five questions:

(a) Explain the law of diminishing marginal utility. 4

(b) What is price elasticity of demand? 4

(c) Explain externality with an example. 4

(d) Explain the concept of financial inclusion. 4

(e) What is the 'crowding out' effect? 4

(f) What is the Gini Coefficient used for? 4

(g) Explain green finance. 4

(h) Explain the role of Bangladesh Bank in controlling inflation. 4
