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SET 6

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) What are the basic economic problems every economy must confront (what, how, and for whom to produce)? 4+6=10

(b) What is the law of diminishing marginal utility? Explain with a numerical example. 10

2. (a) What is Perfect Competition? Explain why a perfectly competitive firm is a 'price taker'. 2+8=10

(b) Assess the poultry farming industry of Bangladesh based on the features of market structure, and comment on which structure it resembles. 10

3. (a) What are the tools of fiscal policy? Briefly explain each. 10

(b) Distinguish between qualitative and quantitative credit control tools of a central bank. 4+6=10

4. (a) What is Balance of Trade (BOT)? How does it differ from Balance of Payment (BOP)? 2+8=10

(b) Discuss the impact of import restriction policy on a developing economy like 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 = 150 - 5P
Qs = 30 + 5P
Where, Qd = Quantity demanded, Qs = Quantity supplied, P = Price of the product.

(a) Find the equilibrium price and quantity. 5

(b) If the government imposes a Value Added Tax (VAT) of Tk. 4 per unit on the seller, the new supply equation becomes Qs = 30 + 5(P-4). Find the new equilibrium price and quantity. 5

6. A person quit her job to start her own consultancy firm. In her job, she earned Tk. 40,000 per month. In the first year of running the firm, she earned revenue of Tk. 15,00,000.
To generate this revenue, the firm incurred cost of materials Tk. 6,00,000, office rent Tk. 2,40,000 and staff wages Tk. 3,00,000. Considering the above information:

(a) What is the Accounting Profit/Loss of the person? 5

(b) What is the Economic Profit/Loss of the person? 5

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.

Several commercial banks in Bangladesh have begun deploying artificial intelligence (AI) tools across customer service, credit scoring, and fraud detection. AI-driven chatbots now handle a large share of routine customer queries, freeing branch staff for more complex tasks. Credit-scoring models that incorporate transaction history and utility-bill payment patterns are helping some banks extend small loans to customers with no prior credit history. On the risk side, machine-learning based fraud detection systems have flagged unusual transaction patterns faster than manual review, reducing losses from card and account fraud. However, bank officials have also raised concerns about data privacy, the 'black box' nature of some AI credit decisions that are hard to explain to rejected applicants, and the risk of job displacement among junior banking staff whose routine tasks are increasingly automated.

(a) What is AI-driven credit scoring? 2

(b) How can AI-based fraud detection reduce losses for a bank compared to manual review? 3

(c) Why might an AI credit decision being a 'black box' create a problem for rejected applicants? 4

(d) Analyze the trade-off banks face between efficiency gains from AI adoption and potential job displacement among staff. 5

(e) What safeguards would you recommend before a bank scales up AI-based credit decisions? 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.

Agricultural subsidies in Bangladesh, covering items such as fertilizer, diesel for irrigation, and seeds, aim to keep farming costs low and support food security. Farmer associations argue that rising input costs make the current subsidy insufficient, and that a further increase is needed to keep small farmers viable, especially as climate-related shocks raise production risk. The Ministry of Finance, however, points out that subsidy spending already places a significant strain on the budget, and that funds spent on subsidies compete with spending on infrastructure, health, and education. Some economists suggest that better-targeted subsidies, reaching smallholder farmers directly rather than through blanket price support, could achieve similar food-security goals at lower fiscal cost.

(a) What is an agricultural subsidy? 2

(b) Why do farmer associations argue for a higher subsidy despite the fiscal cost? 3

(c) What is meant by a 'better-targeted' subsidy, as opposed to blanket price support? 4

(d) Analyze the trade-off the government faces between supporting farmers and maintaining fiscal discipline. 5

(e) Do you think agricultural subsidy should be increased in Bangladesh? Give your reasoned opinion. 6

Part D—Understanding Terminology

(Answer any five questions)

Marks—2×5 = 10

9. Answer any five questions:

(a) Distinguish between perfect competition and monopolistic competition. 2

(b) What is the difference between fiscal policy and monetary policy? 2

(c) Distinguish between Balance of Trade (BOT) and Balance of Payment (BOP). 2

(d) What are the differences between explicit cost and implicit cost? 2

(e) Differentiate between an import and an export. 2

(f) What is the difference between devaluation and depreciation? 2

(g) Distinguish between direct finance and indirect finance. 2

(h) What is the difference between price ceiling and price floor? 2

Part E—Short Questions

(Answer any five questions)

Marks—4×5 = 20

10. Answer any five questions:

(a) Explain the concept of the 'invisible hand'. 4

(b) Explain the concept of consumer surplus. 4

(c) Define seigniorage. 4

(d) Explain economies of scale. 4

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

(f) Discuss Islamic banking in Bangladesh. 4

(g) Discuss Mobile Banking and Agent Banking in Bangladesh. 4

(h) What is Foreign Direct Investment (FDI)? 4

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