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SET 8

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 is the Production Possibility Curve (PPC)? Explain how the PPC shifts outward with economic growth. 4+6=10

(b) Explain the law of supply and its major determinants. 10

2. (a) What is an oligopoly market? Distinguish it from monopolistic competition. 2+8=10

(b) Discuss the break-even point of a firm with a diagram. 10

3. (a) What is Value Added Tax (VAT)? Discuss its effect on consumers and producers. 10

(b) Distinguish between progressive, regressive, and proportional tax systems. 4+6=10

4. (a) What is remittance? Explain the channels through which remittance affects Bangladesh's economy. 2+8=10

(b) Discuss the causes of Bangladesh's current unfavourable Balance of Payment situation. 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 = 200 - 4P
Qs = 40 + 6P
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 floor at P = Tk. 20, determine whether there will be a shortage or a surplus, and at what quantity. 5

6. A bank offers a nominal interest rate of 11% per year on a fixed deposit. During the same period, the inflation rate is 7%. Using this information:

(a) Calculate the real interest rate. 5

(b) If the inflation rate unexpectedly falls to 4%, what will be the new real interest rate? What does this imply for savers? 5
Hints: Real interest rate = [(1 + Nominal interest rate) / (1 + Inflation)] - 1

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.

Bangladesh Bank has recently encouraged commercial banks to expand green financing, including concessional loans for solar irrigation, energy-efficient manufacturing equipment, and effluent treatment plants in the textile industry. A few banks have also issued green bonds to raise dedicated funds for such projects, offering investors a modestly lower return in exchange for supporting environmentally sustainable projects. Proponents argue that green financing helps exporters meet the environmental standards increasingly demanded by international buyers, protecting Bangladesh's competitiveness in the RMG sector. Critics note that green loan disbursement remains a small fraction of total bank lending, and that without stronger monitoring, some loans labelled 'green' may not deliver meaningful environmental benefit, a practice sometimes called 'greenwashing'.

(a) What is green financing? 2

(b) Why might exporters value access to green loans for compliance with international buyer standards? 3

(c) What is 'greenwashing', and why is it a concern for green financing programs? 4

(d) Analyze what monitoring mechanisms could help ensure that green loans deliver genuine environmental benefit. 5

(e) What would you recommend to scale up green financing in Bangladesh's banking sector responsibly? 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.

Regulators in Bangladesh have periodically encouraged consolidation among weaker banks through mergers with stronger ones, aiming to strengthen the overall stability of the banking sector. Proponents argue that merging a financially distressed bank into a well-capitalized one can protect depositors, avoid disorderly failures, and create economies of scale in operations and risk management. Critics counter that mergers can be difficult to execute smoothly, given differences in technology systems, corporate culture, and existing non-performing loan portfolios, and that a merged entity could inherit asset quality problems large enough to weaken the previously healthy bank as well. Employees of the weaker bank have also expressed concern about job security following consolidation.

(a) What is a bank merger? 2

(b) How can merging a weak bank into a stronger one protect depositors? 3

(c) Why might integrating different technology systems and corporate cultures be difficult during a merger? 4

(d) Analyze the risk that a merged entity could inherit asset quality problems large enough to weaken the previously healthy bank. 5

(e) What safeguards would you recommend before regulators approve a bank merger? 6

Part D—Understanding Terminology

(Answer any five questions)

Marks—2×5 = 10

9. Answer any five questions:

(a) Distinguish between market economy and command economy. 2

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

(c) Distinguish between Value Added Tax (VAT) and income tax. 2

(d) Differentiate between progressive tax and regressive tax. 2

(e) What is the difference between Balance of Payment (BOP) and Balance of Trade (BOT)? 2

(f) Distinguish between fixed exchange rate and flexible exchange rate. 2

(g) What are the differences between economic cost and accounting cost? 2

(h) Distinguish between public goods and private goods. 2

Part E—Short Questions

(Answer any five questions)

Marks—4×5 = 20

10. Answer any five questions:

(a) Explain the concept of opportunity cost with an example. 4

(b) Explain externality with an example. 4

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

(d) Explain green finance. 4

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

(f) Explain economies of scale. 4

(g) Explain the role of the central bank as 'banker to the government'. 4

(h) How does artificial intelligence affect the banking system? 4
