

University of Asia Pacific
Department of Civil Engineering
Final Examination (Spring 2013)
Program: B.Sc. Engg ((2nd year 2nd semester))

Course Title : Principles of Economics
Full marks : 50

Credit Hours: 2.0

Course : ECN 201
Time : 2 hrs

(Answer any four questions from the following.)

Q.1. a. What are marginal cost and average cost? Graphically show the relationship between these two types of costs.

b. What are the causes behind economics and dis-economics of scale?

c. Differentiate between public and private finance. (6+2.5+4)

Q.2. a. What are the three methods of GDP measurement? Which components are excluded for measuring GDP?

b. What is the problem of double counting in measuring GDP? Explain a method for measuring GDP that avoids this problem? (6.25X2)

Q.3.a. Find the GDP deflator of the year 2010, 2011, and 2012. from the following table: (All figures are in Crore Taka)

Year	Nominal GDP	Real GDP
2010	1500	1095
2011	1940	1250
2012	2540	1845

b. Differentiate between nominal GDP and real GDP. (9+3.5)

Q.4. a. Graphically interpret how comparative advantage drives international trade.

b. What do you understand by 'Terms of Trade'? How do production structure and elasticity of demand and supply influence terms of trade of a country? (6.25X2)

Q.5. a. Explain the three motives behind people's desire to hold money.

b. How do real GDP and interest rate influence people's desire to hold money? Use appropriate graphs. (6.25X2)

Q.6. a. What is inflation? Explain how fiscal and monetary policies are used to curb inflation.

b. You deposit \$2000 in the bank for one year.

CASE 1: inflation = 0%, nom. interest rate = 8%

CASE 2: inflation = 10%, nom. interest rate = 16%

- 1) In which case does the real value of your deposit grow the most?
- 2) Assume the tax rate is 25%. In which case do you pay the most taxes?
- 3) Compute the after-tax *nominal* interest rate and the *real interest rate*.

(4.5+8)