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1. Syllabus with Grids Based on NEB Curriculum

Course Contents with Marks Scheme

Unit 1: Basic Concept of Economics and Allocation of Resource: 1 + 5 = 6 Marks

1.1 Scarcity and Choice
1.2 Concept of Opportunity Cost
1.3 Production Possibility Curve (PPC): Concept, Shape and Shift
1.4 Concept of Allocation of Resources
1.5 Division and Specialization of Labour: Advantages and Disadvantages
1.6 Economic System: Types and Features

Unit 2: Microeconomics: 1 + 3×5 + 8 = 24 Marks

2.1 Market and Revenue Curves
2.1.1 Concept of Market: Perfect Competition Market, Imperfect Competition Market and Its Types (Oligopoly, Monopoly, and Monopolistic Competition)
2.1.2 Concept of Total Revenue, Average Revenue and Marginal Revenue
2.1.3 Derivation of Average Revenue and Marginal Revenue Curves From Total Revenue Curve Under Perfect Competition and Monopoly Markets
2.1.4 Some Numerical Exercises
2.2 Cost Curves
2.2.1 Concept of Explicit, Implicit, Fixed, Variable, Total, Average and Marginal Costs
2.2.2 Short-run Costs and Derivation of Short-run Cost Curves
2.2.3 Some Numerical Exercises
2.3 Theory of Price and Output Determination
2.3.1 Definition and Characteristics of Perfect Competition Market, Equilibrium Price and Output Determination of Firm and Industry in the Short-run and Long –run
2.3.2 Definition and Characteristics of Monopoly Market and Equilibrium Price and Output Determination
2.3.3 Some Numerical Exercise
2.4 Factor Pricing
2.4.1 Concept of Factor Pricing
2.4.2 Rent: Concept of Economic Rent and Contract Rent, and Ricardian Theory of Rent
2.4.3 Wage: Money Wage and Real Wage, Subsistence Theory of Wage, Wage Fund Theory of Wage
2.4.4 Interest: Gross Interest and Net Interest, and Classical Theory of Interest
2.4.5 Profit: Gross Profit and Net Profit, Risk Bearing Theory of Profit and Uncertainty Bearing Theory of Profit

Unit 3: Macroeconomics: 2×1 + 5 + 8 = 15 Marks

3.1 Banking System and Monetary Policy
3.1.1 Role of Banking System in Economy
3.1.2 Classification of Banks: Central Bank, Commercial Bank, Development Bank, Financial Institution and Microfinance
3.1.3 Functions of Central Bank with Reference to Nepal
3.1.4 Functions of Commercial Banks with Reference to Nepal
3.1.5 Concepts of Money and Capital Market
3.1.6 Monetary Policy: Meaning and Types
3.1.7 Commercial and Development Banks in Nepal (Province-wise)
3.2 Government Finance
3.2.1 Concepts and Importance of Government Finance
3.2.2 Classification of Government Expenditure in the Context of Nepal
3.2.3 Concepts of Direct and Indirect Taxes, Progressive Taxation, Proportional Taxation, Regressive Taxation and Digressive Taxation

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3.2.4 Qualities of Good Tax System
3.2.5 Government Revenue: Tax and Non-tax Revenue (Nepalese Context)
Sources of Government Revenue,
3.2.6 Government Borrowing: Concepts of Internal and External Borrowing
3.2.7 Government Budget: Meaning and Process of Budget Formulation in the context of Nepal

3.3 International Trade
3.3.1 Concepts and Importance of International Trade
3.3.2 Concepts of Balance of Trade (BOT) and Balance of Payment (BOP)
3.3.3 Measures to Correct Deficit Balance of Trade in the Context of Nepal
3.3.4 Exchange Rate: Concept and Types
3.3.5 Free Trade and Protection Trade: Merits and Demerits
3.3.6 Comparative Cost Theory of International Trade

Unit 4: Development Economics: 1 + 5 = 6 Marks

Poverty, Inequality, Unemployment and Human Resources
4.1 Concept of Poverty, Inequality and Unemployment
4.2 Causes of Poverty and Inequality and Measures to Reduce them
4.3 Types and Causes of Unemployment, and Measures to create employment
4.4 Concept and Role of Human Resources
4.5 concept of Human Development Indicators and Human Development Index
4.6 Current Status of Nepal's Population (Size, Composition, Distribution and Growth)

Unit 5: Nepalese Economy: 3×1 + 5 + 8 = 16 Marks

5.1 Foreign Trade of Nepal and Foreign Employment
5.1.1 Brief History of Nepalese Foreign Trade
5.1.2 Growth, Competition, Direction, and Problems of Nepalese Foreign Trade
5.1.3 Concepts of World Trade Organization (WTO) and South Asian Free Trade Area (SAFTA)
5.1.4 Foreign Employment and Remittance: Current Situation, Advantages and Disadvantage

5.2 Development Planning of Nepal
5.2.1 Concept of Development Planning
5.2.2 Objectives, Priorities and Policies of Current Plan
5.2.3 General Evaluation of Previous Plan
5.2.4 Process of Plan Formulation in Nepal

5.3 Sustainable Development Goals and Nepal
5.3.1 Concepts of Sustainable Development Goals of United Nations: 17 Development Goals
5.3.2 No Poverty and Nepal
5.3.3 Zero Hunger and Nepal
5.3.4 Decent Work, Economic Growth and Nepal
5.3.5 Quality Education and Nepal

Unit 6: Quantitative Techniques for Economics: 3×1 + 5 = 8 Marks

6.1 Basic Statistics
6.1.1 Review of Basic Statistics: Definition, Scope, Importance and Limitation of Statistics
6.1.2 Collection of Data: Method of Collecting Primary Data and Sources of Secondary Data
6.1.3 Standard Deviation, Coefficient of Variation (CV) and Characteristics of Variance
6.1.4 Index Number: Price Index Number - Laspeyre's and Paasche's Price Index Number

EXERCISE:

Remember: The mostly asked questions of red color, rarely asked questions of blue color and probable to ask questions of black color are answered as per the marks indicated in margin for NEB Examination.

Unit 1: Basic Concept of Economics and Allocation of Resources (1 + 5 = 6 Marks)

1. **Define opportunity cost. (1 mark)**

Answer: Opportunity cost is defined as the value of second best alternative that has been foregone by economic agent while choosing the first one.

2. **Define the concept of scarcity in economics. (1 mark)**

Answer: Scarcity is a situation where there is not enough resources to fulfill the demand. It occurs due to limited resources. If demand for goods is more than its supply, it creates scarcity.

lack of enough resources to satisfy the desire wants

3. **Define the concept of choice in economics. (1 mark)**

Answer: Choice refers to the act of selecting goods or services among different alternatives when resources are limited. For example: Choosing the most urgent wants either to buy a book or a movie ticket.

4. **Define allocation of resources. (1 mark)**

Answer: Allocation of resources is the distribution of limited resources to satisfy the most urgent wants. It is based on what to produce, how to produce, for whom to produce, increase in production capacity.

5. **What is division of labour? (1 mark)**

Answer: Division of labor is about dividing tasks to the labourers based on their skills and abilities that contributes to the production. For example: Economics teacher is employed as per his economics degree, effective teaching methods, etc.

6. **What is production possibility curve? (1 mark)**

Answer: Production possibility curve (PPC) is a graphical representation of the various possible combinations of two products that an economy produces by utilizing full capacity of resources.

7. **Explain the concept of production possibility curve (PPC). (5 marks)**

Answer: Production possibility curve (PPC) is a graphical representation of the possible combinations of two goods or services that an economy produces under limited resources.

Assumptions: PPC is based on the following assumptions as:

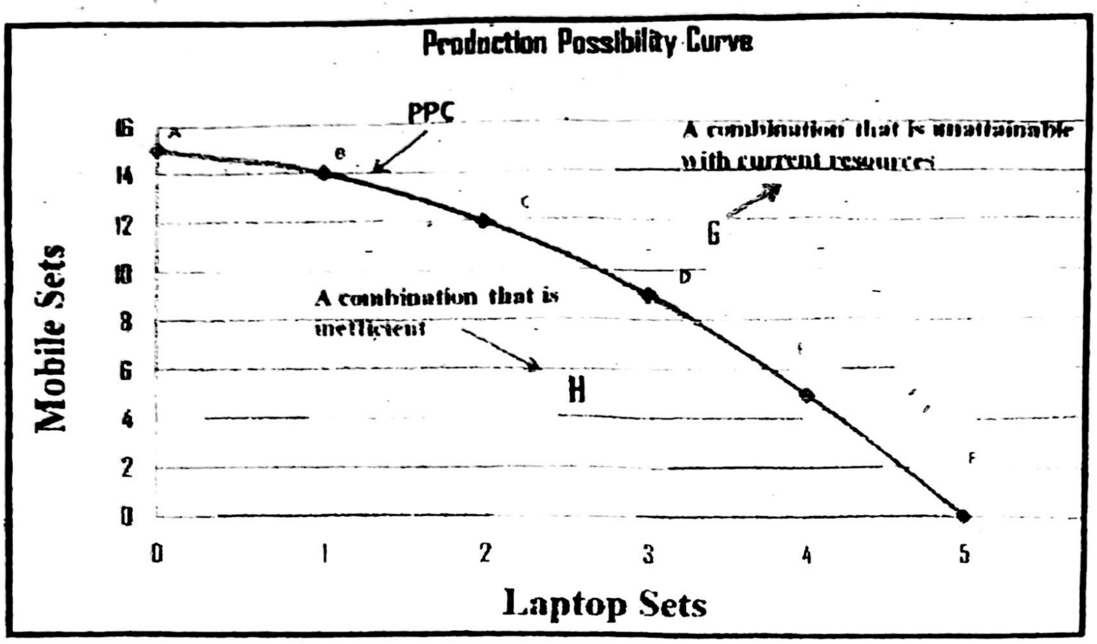
a. Economy produces two different goods (say X, Y).
b. Resource is limited and fully utilized.
c. The state of technology of production is given.

Suppose, economy produces Mobile sets and Laptop sets under given resources. So, there may be various possible combinations of produce of mobile sets and laptop sets as presented in the PPC schedule below:

Schedule for production possibility combination

Combinations	Laptop sets	Mobile sets
A	0	15
B	1	14
C	2	12
D	3	9
E	4	5
F	5	0

Above schedule assumes that possible combinations like A, B, C, D, E, F produce (1, 14), (2, 12), (3, 9), (4, 5) and (5, 0) sets of laptop and sets of mobile respectively. The PPC schedule is further represented in the following graph as:

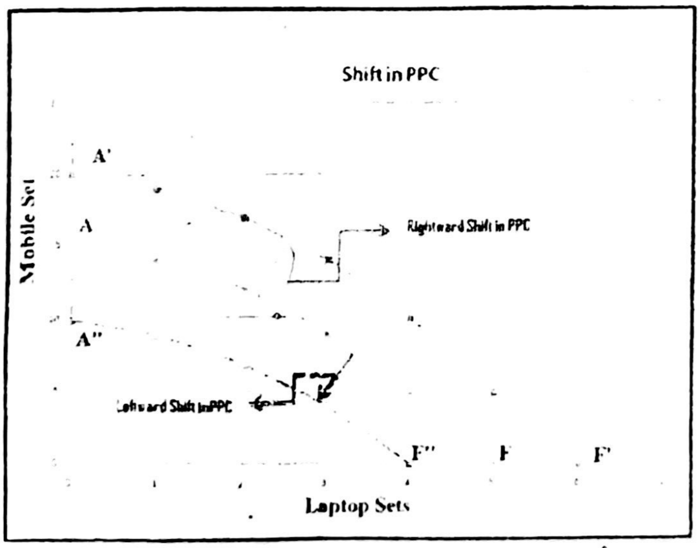


In the diagram, mobile and laptop sets are measured along axes. Points A, B, C, D, E and F 'say' locus points mark different production combinations represents production possibility curve (PPC). Increase the production of laptop sets decreases the production of mobile sets due to limited resources. Combination points within PPC should be only chosen. PPC avoids G and H due to budget constraint.

8. **Define the concept of production possibility curve (PPC) and explain the causes of shift in PPC. (5 Marks)**

Answer: *(See the answer of Q 7 for the concept of PPC with assumptions)*

If there is change in the capacaty of resources, size of population, state of technology then the PPC can shift either rightward or leftward as presented in the diagram and discussed below:



Rightward Shift (A'F'): If there is positive change in the economy's capacity due to increase in supply of resources (skills of labour force, stock of capital goods, state of technology, etc) then the production of goods or services increases that causes PPC shifts to the rightward as A'F' in the diagram..

Leftward Shift (A"F"): If there is adverse change in the capacity of resources due to natural and artificial disaster like earthquake, war, pandemic, etc, then the production of goods or services decreases that causes PPC shifts to the leftward as A"F" in the diagram.

9. **Explain the advantages division of labour. (5 Marks)**

Answer: The division of labour has the following advantages described as

1. Increase in productivity: It increases the use of machines and increases the production in the economy

Socialist economy:- The economy where all economic activities are carried out by central government for public welfare.

2. Decreases cost of production: It reduces the average cost of production by efficient use of capital tools and machinery etc.

3. Improve in skills: If labourer does a certain work frequently, he/she advances skills. As we know practice makes man perfect.

4. Saving of time: If the labour is employed on the specific task then he/she performs it without loss of time. It contributes to the production.

5. Right person at right place: The right job to the right person can handle the work efficiently and contribute to production.

6. Innovation: Division of labour can foster innovation, as workers may find more efficient methods and solutions within their specialized tasks.

Conclusion: *The division of labor enhances productivity, reduces costs, improves skills, saves time, optimizes job allocation, and fosters innovation.*

10. Explain its disadvantages. (5 Marks)

Answer: The disadvantages of division of labour can be explained as:

1. Monotony of work: If labour works frequently the same work over and over again, it makes the worker monotonous due to division of labour

2. Risk of unemployment: Worker finds difficulty in finding same job in another industry when she/he is unemployed due to division of labour.

3. Increase dependency: It creates a high level of dependency among workers lead to delays and bottlenecks if worker encounters issues.

4. Limit the skills: Division of labour can restrict workers from developing a broad range of skills, limiting their career growth and opportunity.

5. Risk of interruptions: The absence of a specialized worker can interrupt the entire production process, causing inefficiencies and delays.

6. Socio-economic inequality: Division of labor can contribute to disparities in income and social status, as those with specialized skills may be valued more than others in the workforce.

Conclusion: *The disadvantage of division of labour can lead to worker monotony, unemployment risks, increased dependency, limited skill development, interruptions, and socio-economic inequality.*

11. What is mixed economy? Explain its features.

Answer: Mixed economy is an economic system of a country in which there is co-existence of both private and government sectors and run economic activities. Example: Economy of Nepal, India and other South Asian countries.

Features of mixed economy are explained below as:

1. **Co-existence of public and private sectors:** It allows public and private sectors to coexist, contributing to the economy and providing goods/services.
2. **Price mechanism and controlled price:** It utilizes price mechanism based on supply and demand, but the government may intervene to control prices in certain sectors for consumer protection or affordability.
3. **Profit motive and social welfare:** It balances profit motives of businesses with social welfare through regulations and social programs for the well-being of the population.
4. **Reduce economic inequality:** It aims to reduce economic inequality through policies like wealth redistribution, progressive taxation, and social welfare programs.
5. **Control on monopoly power and economic planning:** It regulates monopolies and ensures fair competition while implementing economic planning to guide and direct economic activities for societal benefit.

Conclusion: Mixed economy combines elements of both private enterprise and government intervention to promote economic growth, social welfare, and reduced inequality

12. Define market/capitalist economy. Explain its features.

Answer: Market economy is an economic system in which private sectors make all the economic decisions through the market forces demand and supply. Example: economy of USA, UK, Japan. Features of market/ capitalist economy can be explained as:

1. Right to own property: Individuals have the right to own property in various forms as cash, land, building, share, etc.

2. Freedom of Enterprises: Individuals have the freedom to follow or choose legal economic activities of their choice and capacity in the market without any restrictions.

3. Profit Motive: The economic activities are undertaken for profit motive. The people themselves bear the risk of their enterprises.

4. Price Mechanism: The market forces of demand and supply determine the prices of goods and services and guide the production, consumption and distribution decisions.

5. No government restrictions: Government acts only as a supervisor and limits its role to manage public utilities, law and order and security in the country.

6. Other features: Other features are: based on perfect competition, consumer's sovereignty, etc.

Conclusion: A market/capitalist economy is characterized by private ownership of property, freedom of enterprise, pursuit of profit, reliance on the price mechanism, minimal government intervention, and adherence to principles of perfect competition and consumer sovereignty.

13. Define socialist/ command economy. Explain its features.

Answer: Socialist economy is an economic system in which economic activities are owned and controlled by the state and its agencies in interest of the society. Example: economy of North Korea, Cuba etc.

Features of Socialist Economic System can be discussed as:

a. **State owned resources:** All the means of production are owned and operated by the state to ensure the equality of opportunity to its citizens.
b. **A planned economy**: The central planning authority formulates the development and economic plans according to the objective of the socialist economic system.
c. **Government control:** Government controls on economic activities through economic policies and control price determination through price ceiling and flooring.
d. **Social welfare** Government forms the policies to ensure job opportunities, minimum wage policy to maximize the welfare of people in an economy.
e. **Absence of private enterprises**: The state makes investment itself for the economic activities in order to achieve social welfare where privates are restricted.
f. **Economic equality**: Since there is no any private sectors, none collects the wealth alone. The employment is ensured to everyone which ensures the economic equality.

Conclusion: A socialist economy is characterized by state ownership of resources, central planning, government control over economic activities, and a focus on social welfare, aiming for economic equality through absence of private enterprises.

14. Define the efficiency of labour and explain the factors influencing the efficiency of labour. (5 marks)

Answer: Efficiency of labour is the productive capacity of the labor to do more or better work or both during a specified period of time. It is measured by the quantity of a product produced by a worker and the time spent by a worker in producing that product. The efficiency of labour is determined by the following factors discussed as:

1. Racial Factors: Labour efficiency depends to some extent on the racial and hereditary features to which labour belongs. People of some races are more efficient at work than others. For example, Sherpa is climbing the mountain. Newar is in business, etc.

2. Climatic conditions: The extreme condition of weather restrict the workers to work efficiently.

3. **Education, skills and trainings:** Educated, skilled and trained labours prove to be more efficient than the unskilled and untrained ones.

4. **Nature of work:** If the work is monotonous than the interest of worker then the worker ceases to take interest in the work.

5. **Labour union:** It ensures the labour to get higher wages and promote labour's welfare that encourages to increase labour's efficiency.

15. 'Scarcity is the root cause of central economic problem'. Discuss. (5 Marks)

Answer: Scarcity refers to the fundamental economic condition where resources are limited, while human wants and needs are virtually unlimited. Scarcity is the root cause of central economic problem since the following reasons discussed as:

1. **Limited Resources:** Resources, including natural, human, and capital resources, are insufficient to fulfill all human desires.
2. **Necessity of Choices:** Scarcity compels individuals, businesses, and governments to make choices regarding what to produce, how to produce, and for whom to produce.
3. **Opportunity Cost:** Every choice made due to scarcity involves an opportunity cost—the value of the next best alternative foregone.
4. **Allocation Challenge:** Efficient allocation of scarce resources becomes a central economic challenge to maximize overall welfare.
5. **Production Constraints:** Scarcity imposes limitations on production capacities, leading to the inability to simultaneously satisfy all demands, requiring prioritization.
6. **Role of Government:** Governments often play a crucial role in addressing scarcity by implementing policies to regulate resource allocation, ensure fairness, and meet societal needs.

Thus, scarcity drives the central economic problem by necessitating choices, introducing opportunity costs, and requiring efficient resource allocation to address the persistent challenge of meeting unlimited human wants with limited resources.

UNIT 2: MICROECONOMICS: (1 + 3 × 5 + 8 = 24 Marks)

Market and Revenue Curves

1. Define market in economics. (1 Mark)

Answer: Market is defined as a platform for exchanging goods and services in the mood of online and offline networks. There are generally perfect competition and imperfect competition market structures in the economy.

2. What is perfect competition market? (1 Mark)

Answer: Perfect competition market is a market structure of economy where more number of buyers and sellers are able to exchange homogeneous goods and services at the price determined by market forces demand and supply. No transaction costs

3. What is monopoly market? (1 Mark)

Answer: In monopoly, 'mono' means single and 'poly' means seller. So, monopoly market is a market structure of economy where single seller and more numbers of buyers exist and exchange no close substitute products at the prices set by monopolist.

4. Define oligopoly market structure. (1 Mark)

Answer: Oligopoly is the market structure in which only a few sellers have control over the price of product in the market and sell either close substitute or differentiated goods. There are pure oligopoly and differentiated oligopoly markets.

Monopoly Market = A market structure that consists of a single seller or Producer & no close substitutes