

# ECONOMICS

(Three hours)

(The first 15 minutes of the examination are for reading the paper only. Candidates must **NOT** start writing during this time).

Answer Question 1 (compulsory) from part I and **SEVEN** questions from part II.  
The intended marks for questions are given in [ ].

## PART I

### Question 1.

[30 Marks]

Answer briefly each of the items (i) to (xv) in this question.

- (i) Define 'Micro Economics'. Write down **ONE** significant difference it shares with Macro economics. [2]
- (ii) Draw a diagram to show a circular flow of income in a two sector model with saving and investment. [2]
- (iii) Do you think that international trade is good for a country like ours? Give **TWO** reasons in support of your answer. [2]
- (iv) Define progressive Taxation. Give an example. [2]
- (v) Give any **TWO** objectives of the Eighth Five Year Plan (1997-2002). [2]
- (vi) Give a reason why demand curve slopes to the right and supply curve to the left? [2]
- (vii) What is the main difference between G.D.P and G.N.P? [2]
- (viii) Why has Bhutan's Balance of payment always remained negative? Give **TWO** reasons. [2]
- (ix) List down **TWO** reasons for preparing the annual budget in our country. [2]
- (x) Mention **TWO** causes of increasing returns to a variable factor. [2]
- (xi) Give **TWO** reasons for starting Five Year Plans in our country. [2]
- (xii) Why is 'To provide Foreign Exchange' a valid reason for the external borrowing by the governments of the underdeveloped countries? [2]

- (xiii) Draw ATC, AVC, AFC and MC curves on a single diagram. [2]
- (xiv) Write down the definition of a Gross National Happiness in your own words. [2]
- (xv) How can you derive a Net profit from a Gross profit? [2]
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## PART II

(Answer any SEVEN questions)

### Question 2

- a) Mention any **FIVE** defects of the Ricardian Theory of Rent? [5]
- b) What do you mean by 'Public Expenditure'? Give any **FOUR** reasons for the increase in public expenditure in Bhutan in recent times. [5]

### Question 3

- a) What measure would you propose to correct Bhutan's disequilibrium in Balance of Payment? Explain any **FIVE** of them. [5]
- b) Discuss any **FIVE** achievements in the Education Sector during the Seventh Five Year Plan. [5]

### Question 4

- a) Explain any **THREE** properties of an indifference curve with the help of a diagram. [5]
- b) Propose and explain **FOUR** methods of debt redemption which our country can effectively adopt? [5]

### Question 5

- a) Mr. Nado purchased 20 kgs of potatoes at the price of Nu.10 per kg in one shop and another 30 kgs from another shop at the rate of Nu.5 per kg. Calculate the price elasticity of demand using the percentage method. [5]
- b) Draw a diagram and explain the short-run equilibrium under monopoly earning super normal profit. [5]
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**Question 6**

- a) Illustrate and explain movement along the supply curve and the shift of supply curves.

[5+5=10]

**Question 7**

- a) What would happen to the following types of costs as output is increased in the short-run?

[5]

- i) Total Fixed Cost
- ii) Total Variable Cost
- iii) Average fixed Cost
- iv) Average Variable Cost
- v) Average Cost

- b) Explain the income method of calculating National income of an economy.

[5]

**Question 8**

- a) Explain any **FOUR** objectives of the fiscal policy in an underdeveloped economy.

[5]

- b) Write down **FIVE** differences between the internal trade and international trade.

[5]

**Question 9**

- a) Why do you think that increase in GDP cannot promote the happiness of people? Give **FIVE** reasons in support of the above statement.

[5]

- b) How can we say that the Direct taxes are better than the indirect taxes in any economy? List down **FIVE** reasons to validate your answer.

[5]

**Question 10**

- a) How are intermediate goods different from final goods? What is the significance of this distinction from the view point of the national income calculation?

[5]

- b) Explain any **FIVE** objectives of the Ninth Five Year Plan.

[5]