

ECONOMICS

(Three hours and a quarter)

(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 ().

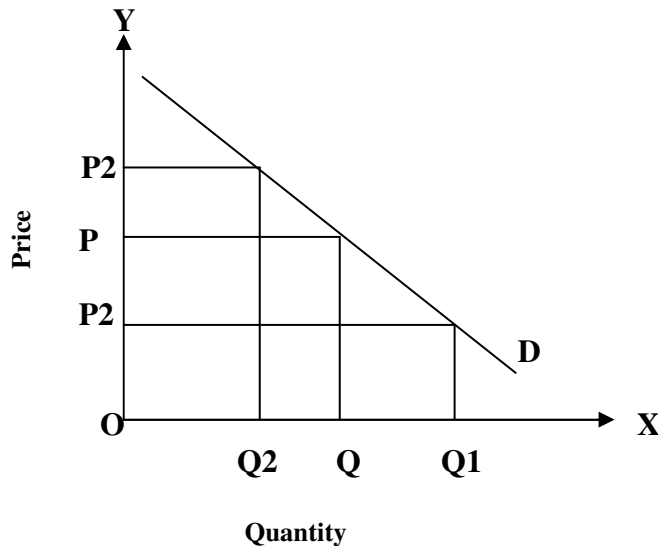
PART I (Compulsory)

QUESTION 1

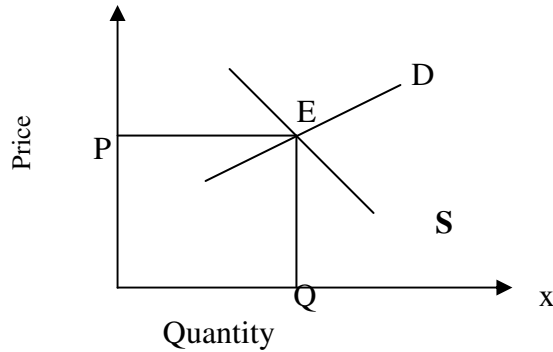
(30 marks)

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

- (i) List down **TWO** reasons for the growth of public expenditure in Bhutanese economy. (2)
- (ii) Mention **TWO** situations where a supply curve does not have a positive slope. (2)
- (iii) Define the term 'Deficit Financing'. (2)
- (iv) In the diagram given below, explain **TWO** types of movement along the demand curve. (2)



- (v) Copy the diagram given below and show how equilibrium price rises with the simultaneous shift in both demand and supply curves. (2)



- vi) From the following table, calculate TR and MR. (2)

Units Produced	1	2	3	4	5	6	7	8
Price(Nu)	15	15	15	15	15	15	15	15

- vii) Total Revenue Nu. 50,000, Implicit cost Nu. 10,000, Explicit cost Nu. 15,000 and Gross Profit Nu. 35,000. (2)

Calculate net profit from total revenue and gross profit.

- viii) How does export promotion remove disequilibrium in the balance of payment of an economy? Explain **TWO** ways. (2)
- (ix) Differentiate between increase in supply curve and decrease in supply curve. (2)
- (x) Explain giving **TWO** reasons why internal trade sometimes is considered better than international trade. (2)
- (xi) Write down **TWO** similar objectives of 8th FYP and 7th FYP (2)
- (xii) What must be added to net factor income earned from abroad to get Net National Product at factor cost? (2)
- (xiii) 'Increase in GDP cannot promote the happiness of people'. Do you agree? Give **TWO** reasons. (2)
- (xiv) What would happen to the basis of trade between two countries if one country produces more of both the commodities compared to another country? (2)
- (xv) The objectives of 9th FYP seem to be drawn from the concept of GNH. Give **TWO** examples. (2)

PART II

Answer any **SEVEN** questions

QUESTION 2

- a) What is a 'Tax'? Describe briefly **FOUR** types of tax system in a given economy. (5)
- b) How has our government intended to achieve the following objectives during 8th FYP? Write **ONE** way each. (5)
- (i) Sustainability
 - (ii) Community participation
 - (iii) Private sector development
 - (iv) Preservation and promotion of culture
 - (v) National security

QUESTION 3

- a) What is an Indifference curve? Briefly explain **FOUR** properties of an Indifference curve. (5)
- b) Which model of Circular Flow of Income is better in a modern economy? Explain the model to justify your answer. (5)

QUESTION 4

- a) Define supply curve. Describe any **FOUR** factors that determine supply of a commodity. (5)
- b) Differentiate between the various measures of fiscal policy used during the time of inflation and depression in an economy. (5)

QUESTION 5

- a) Explain briefly Ricardian Theory of Rent under an extensive cultivation. (5)
- b) Compare the relationship between AR and MR under perfect competition and monopoly market. (5)

QUESTION 6

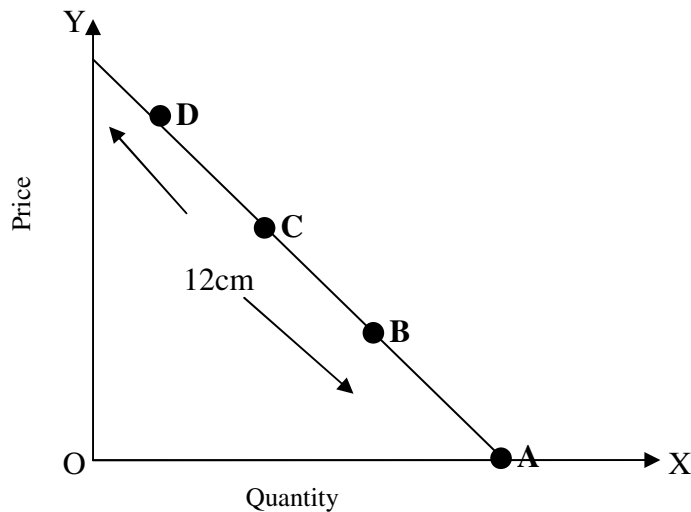
- a) Why does trade take place between or among countries? Give any **FIVE** reasons to support your answer. (5)
- b) “GNH is the developmental philosophy that tries to bring about material and spiritual advancement of Bhutanese people and the country”. Justify the given statement with **FIVE** examples. (5)

QUESTION 7

- a) Explain any **FIVE** factors which give rise to the deficit in the balance of payments in the Bhutanese economy? (5)
- b) What would have happened to our economy if infrastructure and education were not given the highest priority during the First Five Year Plan? Write **FIVE** consequences. (5)

QUESTION 8

- a) Calculate the elasticity of demand and identify the elasticity at points A, B, C and D from the following diagram. (5)



- b) Formulate a numerical table using Total Product, Average Product and Marginal Product to show three stages of Law of Variable Proportions. (5)

QUESTION 9

- a) Using a diagram, explain how a firm under monopolistic competition earns supernormal profit in the short run.
- b) Write any **FIVE** significance of international trade to an economy. (5)

QUESTION 10

- a) From the following data, calculate Gross Domestic Product at factor cost using income method. (5)

	Nu. in million
i) Compensation of employees	20,000
ii) Operating surplus	8000
iii) Mixed income of self employed	25000
iv) Consumption of capital	3000
v) Indirect taxes	5000
vi) Subsidies	1000
vii) Net factor income from abroad	(-) 2000

- b) How can we use deficit financing to achieve the following targets of the government? (5)
 - i) Remedy to solve period of depression
 - ii) Accelerate the pace of economic development

