

ECONOMICS

(Three hours and a quarter)

*(The first 15 minutes of the examination are for reading the paper only.
Candidate 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 [].*

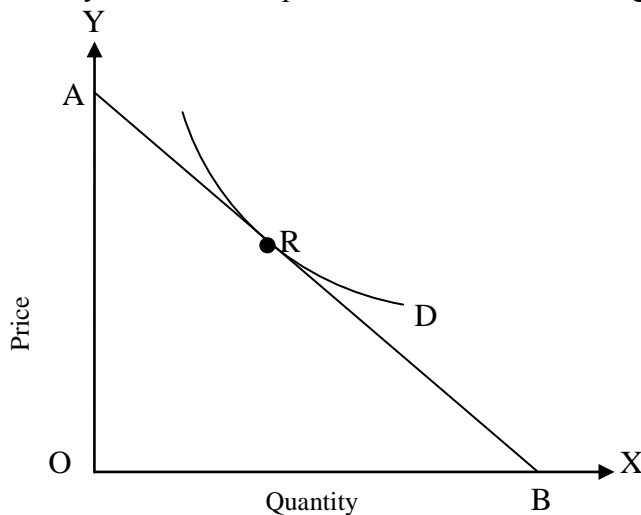
PART I (Compulsory)

QUESTION 1

(30 marks)

Answer briefly each of the following items:

- (i) State any **TWO** key micro economics variables. (2)
- (ii) A firm under Perfect competition is a ‘Price Taker’. Explain. (2)
- (iii) What do you mean by ‘Balance of Trade?’ (2)
- (iv) What is a Progressive Tax? (2)
- (v) Find the elasticity of demand at point ‘R’ from the following diagram. (2)



- vi) Draw and label a supply curve of a factor showing zero economic rent. (2)
- vii) Show any **TWO** ways to solve the disequilibrium in the balance of payment in our economy. (2)

- viii) Give **TWO** ways in which public debt leads to economic development.
- ix) Write the difference between explicit cost and implicit cost.
- x) Distinguish between consumer goods and producer goods. (2)
- xi) Why is preservation and promotion of culture an important pillar of GNH? (2)
- xii) Give **TWO** reasons why five year economic development plans are important in our country. (2)
- (xiii) Which according to you is a better indicator of National Income, NNPmp or NNP fc? Support your answer. (2)
- (xiv) 'Deficit financing is inflationary'. Do you agree? Support your answer with **TWO** reasons. (2)
- (xv) Bring out **TWO** objectives of the 9th Five Year Plan which you liked the most and explain them. (2)

PART II

Answer any **SEVEN** questions

QUESTION 2

- a) Briefly explain **TWO** causes of disequilibrium in the balance of payment. (2)
- b) Using diagrams, explain movement along the supply curve and shift in supply curve. (8)

QUESTION 3

- a) Explain **FIVE** objectives of the 8th Five Year Plan. (5)
- b) 'Perfect competition is a better market structure than a monopoly Market'. Do you agree? Support the statement with reference to their features. (5)

QUESTION 4

- a) Elaborate the following terms: (5)
 - i) Non material goods
 - ii) Intermediate goods
 - iii) Single use goods
 - iv) Non-economic goods
 - v) Durable use goods

- b) With the help of a labeled diagram, explain any **TWO** properties of an indifference curve.

QUESTION 5

- a) Discuss how deficit financing is good as well as bad for our country. (5)
- b) 'The law of supply states that other things remaining same, there is a direct relationship between price and quantity supplied'. Justify the statement. (5)

QUESTION 6

- a) Define Tax. Explain **THREE** main types of direct taxes. (5)
- b) Using an example, explain absolute cost theory of trade. (5)

QUESTION 7

- a) How can economic stability be achieved through fiscal policy during boom and depression period? (5)
- b) Distinguish between 'Trade Union' and 'Employer Association'. What will happen to the wage rate, (5)
- i) If the trade union is stronger than employer association?
- ii) If the employer association is stronger than the trade union?

QUESTION 8

- a) Briefly explain how national income is calculated using value added method. (5)
- b) Why is long run average cost curve called an envelope of short run cost curve? Explain in detail. (5)

QUESTION 9

- a) How is the philosophy of GNH infused in the 9th Five Year Plan objectives? (5)
- b) Differentiate between Government budget and Supplementary budget. (5)

QUESTION 10

- a) Why do you think has the public expenditure in Bhutan been increasing over the years? Give **FIVE** reasons. (5)
- b) How important do you think is the role of the Government sector in the three sector economic model? (5)