

# 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 [ ].*

*No marks will be awarded for extra questions attempted.*

## PART I

**(Compulsory 2 x 15 = 30 marks)**

### Question 1

- (i) Explain **TWO** significant differences between micro economics and macro economics. [2]
- (ii) Explain the meaning of Budget line with the help of a diagram. [2]
- (iii) How is cross elasticity of demand different from income elasticity? [2]
- (iv) Mention any **TWO** common objectives of the 8<sup>th</sup> and 9<sup>th</sup> Five Year Plans. [2]
- (v) Mention any **TWO** difficulties in measuring the National income. [2]
- (vi) Explain any **TWO** factors that bring about rightward shift of the demand curve. [2]
- (vii) Write down any **TWO** relationships between MC and AC with the help of a diagram. [2]
- (viii) Why are the firms under perfect competition called 'Price takers'? [2]
- (ix) State any **FOUR** components of Good governance which is one of the pillars of GNH. [2]
- (x) How would you differentiate value added at market price from the value added at factor cost? [2]
- (xi) "Demonstration effect is one of the factors causing negative disequilibrium in the balance of payment of Bhutan". Justify this statement. [2]

- (xii) Differentiate between Depreciation and Devaluation.
  - (xiii) Mention **FOUR** types of Direct taxes that are collected in Bhutan. [2]
  - (xiv) Explain any **TWO** reasons for preparing a budget in our country. [2]
  - (xv) Mention any **TWO** outcomes of the Eight Five Year Plan. [2]
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**PART II**  
**(Answer any SEVEN Questions)**

**Question 2**

- a) What is demand? Explain any **TWO** of its determinants. [5]
- b) Explain the Comparative Cost Theory of Adam Smith giving a numerical example in the context of the Bhutanese economy. [5]

**Question 3**

- a) What is elasticity of Demand? Bring out any four importance of the concept of elasticity of demand and explain each of them briefly. [5]
- b) Briefly discuss any **TWO** pillars of GNH highlighting their components in details and how these two pillars help in achieving GNH in the Bhutanese economy. [5]

**Question 4**

- a) Distinguish between the concept of 'Stock' and 'Supply' of a commodity. What do you mean by 'relatively elastic supply' and 'relatively inelastic supply' of a commodity? [5]
- b) What methods could Bhutan apply to rectify the current Balance of payment situation? Explain any **FOUR** methods. [5]

**Question 5**

- a) What would happen to the total output if a single factor of production is increased continuously, keeping other factors constant? Write **FOUR** possibilities. [5]
- b) What do you mean by 'value – added Tax'? Given the choice between Direct and Indirect taxes, which of the **TWO** should our government go for? Why? [5]

**Question 6**

- a) How can our country achieve its objectives of 'Income equity' using its fiscal policy? Suggest **TWO** possibilities. [5]
- b) i) 'There is no fixed cost in industries in the Long-run'. Do you agree? Why? [1]
- ii) What reasons can you give for the U-shaped curve of LAC? [4]

**Question 7**

- a) i.) Why does a monopolist earn excess profits even in the long-run? [2½]
- ii) Why is a firm under monopolistic competition called a price-maker? [2½]
- b) Explain any **FOUR** likely positive effects of public borrowings on the Bhutanese economy. [5]

**Question 8**

- a) i) What do you understand by the term 'Personal Disposable Income'? [2]
- ii) Explain using a diagram how income flows in an economy between households and the business firms. [3]
- b) Explain the Budget preparation aspect of budgetary procedure practiced in our country. How is the budget accountability maintained in our country? [5]

**Question 9**

- a) Explain the production method of calculating National Income of an economy. [5]
- b) i) Explain any **THREE** needs in favor of economic planning in our country. [3]
- ii) How did the government try to achieve its objectives of bringing about efficiency and development of the private sector during the 7<sup>th</sup> plan. [2]

**Question 10**

- a) i) Write **ONE** difference between internal trade and international trade. [2]
- ii) How is international trade superior to internal trade? Give **TWO** reasons in support of your answer. [3]
- b) The development objectives of the 9<sup>th</sup> Five Year Plan is drawn from the development philosophy of Gross National Happiness (GNH). Write briefly about **FOUR** such objectives of the 9<sup>th</sup> Five Year Plan drawn from Gross National Happiness (GNH). [5]