

## **PART I (Compulsory)**

### **QUESTION 1**

**[30 marks]**

Answer briefly each of the following questions:

i) Mention any **TWO** objectives of the 5<sup>th</sup> Five Year Plan. **[2]**

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ii) If the income elasticity of demand is negative, what can you say about the nature of the commodity? **[2]**

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iii) If the price of a pen falls from Nu 20 per unit to Nu10 per unit, its supply contracts from 17 units to 13 units. Calculate the elasticity of supply. **[2]**

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iv) The exchange rate of Ngultrum against US\$ changes from US\$1 = Nu 55 to US\$1 = 65. What implication does it have on the Bhutanese economy? [2]

v) How is  $NNP_{FC}$  derived from  $GNP_{mp}$  ? [2]

vi) Study the table below and answer the question.

Country	Production in units	
	Potato	Onion
Bhutan	100	90
India	80	120

Which country has absolute advantage in the production of potatoes and why? [2]

vii) If Dorji purchases inputs worth Nu 1 million to produce an output worth 3 million, on what amount will the value added tax be calculated? [2]

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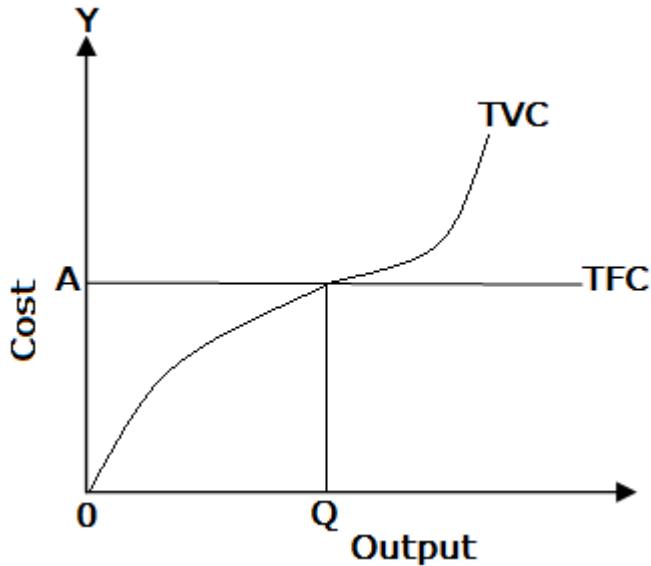
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viii) Study the given diagram: [2]



Explain why TFC and TVC curves start from different points?

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ix) Explain why any profit maximizing firm continues to produce even when it incurs losses in the short run.

[2]

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x) Why economic rent is zero when the supply curve of a factor is perfectly elastic?

[2]

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xi) Machinery, equipments and plants are not consumer goods. Why?

[2]

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xii) Mention **ONE** similarity and **ONE** difference that you find in the objectives of the 1<sup>th</sup> and 2<sup>nd</sup> Five Year Plans.

[2]

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xiii) “GNH brings about a judicious balance between spiritual and material advancement of the Bhutanese people.” Do you agree? [2]

xiv) Write **TWO** differences between contractionary and expansionary fiscal policies. [2]

xv) The government has introduced taxes like Green tax and Voucher tax to increase the revenue of the country. Suggest another new tax and justify why you think it is appropriate. [2]

## PART II

Answer any **SEVEN** questions

## QUESTION 2

a) Explain **FIVE** situations that lead to a positively sloped demand curve. [5]

b) Taxes form a major source of revenue for the government. As a student of economics, which kind of taxation, direct or indirect, do you feel will benefit our country the most? Justify your answer with **FIVE** relevant reasons.

[5]

### QUESTION 3

a) Explain any **FIVE** achievements of the 7<sup>th</sup> Five Year Plan. [5]



b) Which market form, monopolistic or monopoly, do you think is relevant for a developing country like ours? Support your answer with **FIVE** justifications. [5]

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## QUESTION 4

a) Though international trade helps in economic growth of a country, it also has negative effects. Briefly explain any **FIVE** negative effects of it. [5]

b) Using suitable tables of your own, explain the three stages of returns to scale. [5]



## QUESTION 5

a) Define fiscal policy. Explain how it helps in bringing about equity in the economy. [5]

b) Using a diagram, show the situation of super normal profit of a firm with product differentiation.

[5]



## QUESTION 6

a) What is Quasi rent? Explain **FOUR** basic differences between Quasi rent and economic rent.

[5]

b) Do you think a permanent ban on the import of goods will rectify the adverse balance of payments? Support your opinion with **FIVE** points. [5]



## QUESTION 7

a) With the help of a diagram, explain the behaviour of Total cost, Total Variable cost and Total Fixed cost curves in the short run. [5]

b) What would have been the status of the Bhutanese economy had the Five Year Plans been introduced since the enthronement of the first Monarch? [5]



## QUESTION 8

a) Calculate operating surplus from the following data:

[5]

Items	Amount(Nu. in million)
Rent	1500
Mixed Income	3500
Dividend	2000
Interest	3000
Indirect Tax	2600
Royalty	1200

b) Different countries adopt different ways of debt redemption. According to you, what **FIVE** best methods should our government adopt to redeem the debts and why? [5]



## QUESTION 9

a) If you were entrusted with the responsibility of calculating the National Income of Bhutan, how would you do it using expenditure method? [5]

b) Is economic growth of a country possible without public expenditure? Justify with **FIVE** relevant points.

[5]



## QUESTION 10

a) Draw a diagram of circular flow of income in a two sector model and explain the following: [5]

- i) Leakages
- ii) Injections
- iii) Real flow
- iv) Money flow

b) Explain **FIVE** importance of budget for the Bhutanese government. [5]



