

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 any seven questions from Part II

PART I (Compulsory)

Question 1: Answer each question briefly.

[2 × 15=30]

- (i). Differentiate between Microeconomics and Macroeconomics [2]
- (ii). Define relative poverty. [2]
- (iii). Why do economic problem arise? [2]
- (iv). Distinguish between public sector and joint sector. [2]
- (v). Explain two demerits of socialism economy [2]
- (vi). What do you mean by price mechanism? [2]
- (vii). Define investment. [2]
- (viii). Write two components of human resource development. [2]
- (ix). Elaborate on any four functions of commercial bank [2]
- (x). “Money is good servant but bad master” Elaborate the given statement? [2]
- (xi). List down any four importance of price index number? [2]
- (xii). What is statistical analysis? [2]
- (xiii). Mention four economic effects of inflation. [2]
- (xiv). State the different stages in the evolution of money? [2]
- (xv). Mention four objectives of industrialization in Bhutan? [2]

PART II

Answer any seven Questions

Question 2

- a) Critically examine what is the developmental philosophy of Bhutan? [4]
- b) What do you understand by inflation? Bring out clearly the distinction between demand-pull and cost push inflation. [6]

Question 3

- a) Compute the price index number for 2015 with 2010 as the base year by using i) laspeyres method. ii) Marshall- Edgeworth method. iii) Fisher’s method. iv) Paasche’s method. [6]

Commodity	Base year (2010)		Current year (2015)	
	Price	Quantity	Price	Quantity
Rice	6	50	10	56
Maize	2	100	2	120
Wheat	4	60	6	60
Oil	10	30	12	24
sugar	8	40	12	36

- b) Bhutanese economy is characterized by its under developed infrastructure and this has hindered the economic development of Bhutan. Discuss. [4]

Question 4

- a) Explain any **Five** functions of Royal Monetary Authority. [5]
 b) Discuss the role of private sector enterprise in Bhutan. [5]

Question 5

- a) What are some of the consequences of unemployment in Bhutan? [5]
 b) Briefly explain Scope of statistics. [5]

Question 6

- a) With the help of graph explained clearly of Demand-pull inflation? [6]
 b) Differences between economic growth and economic development. [4]

Question 7

- a) What is money? Critically examine four functions of money. [5]
 b) Compare and contrast socialism economy from capitalism economy. [5]

Question 8

- a) Illustrate the problem of underutilization of resources through a production possibility curve. [4]
 b) Discuss the theory of Optimum population. What are its shortcomings? [6]

Question 9

- a) Explain FIVE features of utility. [5]
 b) Find the weighted averages of price relatives index number of price for 2010 (base year 2009) from the following information. [5]

items	Weight	Price in 2009	Price in 2010
A	10	36	45
B	5	20	25
C	4	125	160
D	7	28	50

Question 10

- a) Explain the goals and objectives of agriculture policy in the Bhutanese economy. [5]
 b) How does a central bank differ from a commercial bank? [5]