

ECONOMICS

PART I-Compulsory (30 marks)

Question 1

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

- i) Give TWO basic differences between micro and macroeconomics.
- ii) Explain any TWO reasons for positively sloped demand curve.
- iii) Illustrate with a labeled diagram the relationship between price supply of a commodity.
- iv) Define and draw a budget line
- v) Mention two differences between cardinal utility analysis and ordinal utility analysis?
- vi) When the TU is maximum, what will happen to MU?
- vii) If the demand for good Y decreases as the price of another good rises, how are the two goods related?
- viii) Is Current Account same as the Balance of Trade? Give reason to support your answer.
- ix) Differentiate between Progressive Tax and Regressive Tax?
- x) 'Balance of payments account always balances.' Explain.
- xi) Explain two differences between internal trade and external trade.
- xii) Give two examples each for direct taxes and indirect taxes collected by our government?
- xiii) If commodity X and the commodity Y are complementary goods, what will be the cross elasticity of demand?
- xiv) Differentiate between devaluation and depreciation?
- xv) What do you mean by capital account?

PART II

(Answer any SEVEN questions)

Question 2

Output per day	Bhutan	India
Book	3	2
Pencil	12	4

- a) Which country has an absolute advantage in the production of Book and Pencil? [1]
- b) Calculate the opportunity cost for Bhutan and India:
 - i) Book in terms of Pencil
 - ii) Pencil in terms of Book.[4]
- c) With the help of a diagram, explain any THREE properties of an indifference curve [5]

Question 3

- a) List down FOUR sources of Government Revenue in Bhutan. [2]
- b) "Public Expenditure has been increasing over the years in Bhutan". Justify the given statement with four reasons. [4]
- c) What is the difference between the fees and tax? [2]
- d) If the income elasticity of demand is negative, what can you say about the nature of the commodity? [2]

Question 4

- a. Do you think international trade has a vital importance to our country? Evaluate any FIVE reasons in support of your answer. [5]
- b. With the help of a diagram explain what would happen to the equilibrium price and quantity when the demand increases at a greater magnitude than supply? [5]

Question 5

- a) Distinguish between Balance of Payment and Balance of Trade. [4]
- b) Examine four sources for disequilibrium Balance of Payment in our country. [4]
- c) What do you understand by customs Duty? [2]

Question 6

- a) Explain with diagram the distinction between increase and decrease in supply curve. [5]
- b) The price of a kilogram of apple increases from Nu.10 to Nu.20 and quantity demanded decreases from 40 kgs to 30 kgs. Calculate the price elasticity of demand and mention the degree of elasticity. [3]
- c) International trade also has a negative impact on the economy of a country. Do you agree? Explain two reasons to support your answer. [2]

Question 7

- a) What measures would you suggest in order to rectify the current balance of payment situation? [5]
- b) Draw and classify the degree of elasticity of demand. [5]

Question 8

- a) Evaluate four benefits of direct tax. [4]
- b) Write one similarity and one difference between BIT and CIT. [2]
- c) Which kind of borrowing, internal or external do you favor? Why? [4]

Question 9

- a) With the help of a diagram, explain the relationship between total and marginal utility. [5]
- b) With the help of a diagram, explain what will happen if: [5]
- Price is more than equilibrium price
 - Price is less than equilibrium price

Question 10

- a) What will happen to the equilibrium price and quantity if the demand for a commodity alone decreases. [6]
- b) Explain with diagram the determination of market price of a commodity. [4]

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