



ཤེས་རིག་ལྷན་ཁག།
མཉེན་འགྲུབ་ལཱ་སྒྲིག་འཛུགས་ལྷན་ཁག།



MOTITHANG HIGHER SECONDARY SCHOOL THIMPHU THROMDE

“Every child is **inspired** to learn and **empowered** with **wisdom** to excel in life”

ECONOMICS

Class XII

(Three hours and a quarter)

Full Marks-100

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 []

PART I (Compulsory)

QUESTION 1

[15x2]

Answer briefly each of the following questions:

- i. Indifference curve shows various combination of two commodities which give equal amount of satisfaction to the consumer.
State **FOUR** main properties of indifference curve.
 - ii. Tax is one of the government's revenue. What do you understand by the term tax?
 - iii. What is the level of TP when MP is equal to zero and negative?
 - iv. How is current account different from capital account?
 - v. Bhutan follows GNH as its guiding principle for economic development. Is it necessary to follow GNH as a guiding principle?
 - vi. According to trading economics, Bhutan is expected to reach its revenue BTN 52,140 million by 2020. Tax revenue forms the major portion of the government's revenue in any country. What would be the new tax reforms to generate additional revenue to reach the goal?
 - vii. Law of demand may not hold true during emergencies like COVID-19 pandemic. At such times the consumer behave in an abnormal way. Represent with the help of a diagram the above situation.
 - viii. The Build Bhutan Project initiated by MoLHR is an immediate intervention to the rising economic concern impacted by the pandemic. How will this project help in building our economy in the long run?
 - ix. How does trade between countries take place according to absolute cost advantage theory? Explain with a numerical example.
 - x. 'The taxation policy of the government influences the supply of a commodity. Comment.
 - xi. Distinguish between direct and indirect taxes with suitable example.
 - xii. There is decrease in income of the consumer due to pandemic, how would it impact the equilibrium price and quantity? Illustrate with a diagram.
 - xiii. External debt in Bhutan increased to 2728.40 USD million in 2019 from 2642.10 USD million in 2018. (RMA report). Is it wise for the government to continue borrowing from the external sources? Justify.
 - xiv. In the short run why the total cost curve starts above the origin?

xv. The concept of opportunity cost can be very useful in our daily life and it can help in making the right choice. Illustrate an example of how the concept of opportunity cost is applied in international trade.

i) Write any two objectives of 9th FYP related to the concept of GNH

ii) Does utility have moral or legal connotations? Give your view with a relevant example

iii) GDP is considered to be an inadequate indicator of economic development. Do you agree? Justify your opinion

iv) What are some of the possible risk if Bhutan continues to suffer negative Balance of Payment

v) Adam smith states that the fundamental basis of international trade is the difference in Absolute cost. Explain the statement in your own words.

vi) How would the prices of inputs affect the supply of a commodity in the market?

vii) Mention any two similarities between cardinal and ordinal approaches of utility

viii) Derive NDP_{FC} from GNP_{MP}

ix) The demand for good γ increases due to an increase in price of good x . How are the two goods related? Explain your answer with a appropriate answer.

x) "Personal income tax is a tax on the income derived from various sources of income". State four such sources

xi) Calculate price elasticity of supply at point M

xiv) It is crucial to rationalize current expenditure in order to prevent depletion of future investment. Suggest two measures to minimize current expenditure

xv) The objective of 12th FYP is “Just, Harmonious and sustainable society through enhanced decentralization”. Discuss briefly two priorities to create a just society

PART II
Answer any SEVEN questions.

QUESTION 2

- a) Differentiate between Elastic and Inelastic demand with a suitable diagram [3]

b)

Product in units	Countries	
Hydropower	Bhutan	India
Automobile	6000	8000
Hydropower	4000	10,000

Based on the above information, calculate which country would specialize in the production of the above two product? [4]

c) How can the concept of opportunity cost be applied in our day to day life? [3]--

QUESTION 3

a) "The Gini coefficient estimated by World Bank indicates that Bhutan has high income disparity".

How would the principle of Gross National Happiness minimize income disparity among the Bhutanese. [3]

Lined area for handwritten response, consisting of approximately 25 horizontal dashed lines.

b) The apple production has been bountiful this season causing a huge increase in its supply. However there has been only a slight increase in the demand for apple. Examine the effect on the equilibrium price and quantity with diagram. [5]

b) Using the diagram below, explain which will be the most preferable point for the consumer and why? [3]

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

c) The demand for a commodity increases from 40 units to 50 units when its price falls from Nu.10 to Nu. 5. Calculate the price elasticity of demand and mention its degree. [3]

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

QUESTION 5

a) Using the data given below, calculate the National Income by Income method.

[4]

Sl. No	Items	Nu (crores)
1	Private final consumption expenditure	2000
2	Wages and salaries	1700
3	Net exports	-10
4	Net indirect taxes	370
5	Royalty	500
6	Compensation of the employee	1200
7	Mixed Income	800
8	Rent	200
9	Net Factor Income from Abroad	-20
10	Depreciation	100
11	Undistributed Profit	280

c) Evaluate any two similarities between internal and external trade.

[2]

QUESTION 6

a) Bhutan's outstanding debt stands at USD 2.65 bn as of March, 2019 which is 111 percent of debt to GDP. What are some measures that the government can undertake to reduce public debt? [3]

b) Modern economists use rent in a broader sense to include the payment made to all those factors that are somewhat elastic in supply. Using this concept, explain how rent is determined with a diagram? [5]

c) Why does an oligopolist have an indeterminate demand curve? [2]

QUESTION 7

a) Answer the following questions based on the given diagram.

i) Which type of market does the firm operate? [1]

ii) Evaluate whether the firm is earning profit or incurring loss

[3]

b) Both Direct and Indirect Taxes forms one of the important sources of revenue for the government. Which, direct or indirect tax do you think is more beneficial and why? [4]

c) Why the stage of negative returns takes place under the law of Variable Proportions? [2]

QUESTION 8

a) Given below is the revised Tax slab of Bhutan

Income	Tax Rate
Upto Nu.200,000	0
Nu.200,001-Nu.250,000	10%
Nu.250,001-Nu.500,000	15%
Nu.500,001- Nu.10,00,000	20%
Above Nu.10,00,000	25%

i. Which type of taxation system is being followed in our country? [1]

i) Do you feel it is suitable to have this kind of tax system? [3]

-
- c) Examine three precautions that need to be taken to calculate National Income by Value Added method.
[3]

-
- d) Is it advisable for Bhutan to continue receiving grants from other countries or organizations? [3]

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

QUESTION 10

a) With the help of a diagram, explain the behavior of Total Cost, Total Variable Cost and Total Fixed Cost curves in the short run. [3+3]

.....
.....
.....
.....
.....

b) Using a diagram, show the situation of super normal profit of a firm with product differentiation. (4)

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....