



**PART I**  
**(All questions are compulsory)**

**Question 1** **(15x2=30 marks)**

- i. What do you understand by capitalist economy?
- ii. What is hyper inflation?
- iii. Define money.
- iv. Why do commodities have price? Explain.
- v. In your own words, explain the primary objective of Royal Monetary Authority of Bhutan.
- vi. How does index number act as an economic barometer?
- vii. Why do economic problem arise?
- viii. "Bank has the power to create and destroy money." Justify the statement.
- ix. Differentiate between economic growth and economic development.
- x. Which according to you is the best definition of Economics? Support your answer with **ONE** reason.
- xi. Why do you think a mild degree of inflation is necessary in the economy?
- xii. Statistics is collected for a pre-determined purpose. Why?
- xiii. How can you solve the problems in the capitalist economy with the help of price mechanism? Briefly explain.
- xiv. Explain the water-diamond paradox.
- xv. From the following data, calculate simple aggregative index number

Commodity	P <sub>0</sub>	P <sub>1</sub>
A	10	12
B	4	6
C	8	12

**PART II**  
**(Attempt any SEVEN questions)**

**Question 2**

- a. Define Socialism. Explain any **FOUR** features of a socialist economy. (1+4)
- b. Construct price index number using Laspeyer's method (5)

Items	Qty in 2000	Price in 2000	Qty in 2015	Price in 2015
Rice	100	75	85	140
Sugar	45	40	50	55
Oil	70	80	70	120
Milk	30	30	25	55

**Question 3**

- a. Show the effect of inflation on the following: (1x5)
- i. Debtors
  - ii. Wage and salary earners
  - iii. Savings
  - iv. Creditors
  - v. Farmers
- b. Money is essential for the smooth functioning of the economy. Justify the statement with the help of **TWO** primary and **THREE** secondary functions of money. (5)

**Question 4**

- a. What kind of economic system prevails in Bhutan? How can we solve the basic problems in our economy? (1+4)
- b. Explain any **FIVE** functions of Royal Monetary Authority of Bhutan. (5)

**Question 5**

- a. Why does Demand Pull Inflation occur? Explain demand pull inflation with the help of the diagram. (1+5)
- b. "Wealth definition gives a narrow view of wealth." Justify the statement with the help of **FOUR** criticisms. (4)

**Question 6**

- a. List and explain the **THREE** types of Index numbers. (3)
- b. Analyze any **FIVE** causes of Inflation. (5)
- c. Differentiate between social science and human science. (2)

**Question 7**

- a. Explain the **FOUR** secondary objectives of Royal Monetary Authority of Bhutan. (4)
- b. Write short notes on: (2x3)
- i. Market
  - ii. Welfare
  - iii. Production

**Question 8**

- a. Does every economy face the same economics problems? Identify and explain any **THREE** basic problems faced by an economy. (1+6)
- b. How is commercial bank different for a central bank? Mention any **THREE** differences. (3)

**Question 9**

- a. From the following data, calculate simple average of Price relative method. (4)

Commodity	Base year price	Current year price
Rice	50	56
Wheat	60	60
Barley	30	24

- b. Explain credit creation setting your own example (6)

**Question 10**

- a. Elaborate any **FIVE** functions of a commercial bank. (5)
- b. What is utility? Explain any **FOUR** features of utility. (1+4)