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**ECONOMICS**  
**(Three hours and a quarter)**

[The first 15 minutes of the examination is for reading the question paper **only**.  
Candidates must **NOT** start writing during this time.]

Answer Question I (compulsory) from part I and any SEVEN questions from part II.  
The intended marks for questions are given in brackets [ ]

**PART-I**

(All questions are compulsory)

**Question 1**

[15x 2=30 marks]

- i. Define Money. List any **TWO** features of it.
- ii. State the Welfare definition of Economics.
- iii. If you are to apply the knowledge of statistics in real life, where would you apply it?
- iv. Identify at least **TWO** assumptions of Production Possibility Curve.
- v. Give the examples of developed and underdeveloped countries.
- vi. State any **TWO** limitations of statistics.
- vii. What is overdraft facility?
- viii. Write **TWO** effects of inflation on production.
- ix. Distinguish between commercial bank and non-commercial bank?
- x. Define statistics.
- xi. Distinguish between socialist and capitalist economy in terms of ownership of factors of production.
- xii. Write the difference between Total Utility and Marginal Utility.
- xiii. How does economic growth affect the production possibility curve? Illustrate with the help of a diagram.
- xiv. What do you mean by Price Mechanism?
- xv. How is a central bank “banker to the banks”?

**PART-II**

(Attempt any **SEVEN** Questions)

**Question 2**

- a) Discuss the various features of socialist economy. [5]
- b) Illustrate demand-pull inflation with the help of a diagram. [5]

**Question 3**

- a) Explain the process of credit creation by commercial banks. [4]
- b) Construct index numbers of prices from the following data using Laspeyre’s method. [6]

Items	Base Year[2003]		Current Year[2006]	
	Price( $P_0$ )	Qty( $q_0$ )	Price( $P_1$ )	Qty( $q_1$ )
<b>A</b>				
<b>B</b>	10	10	15	20
<b>C</b>	25	3	30	5
<b>D</b>	20	4	15	10
<b>E</b>	5	15	7	18
<b>F</b>	30	2	30	4

#### Question 4

- a) What is 'scarcity' definition of economics? Critically examine the definition. [5]  
b) Calculate price index number for 2010 by simple aggregative method [5]

Commodity	2000	2010
A	70	120
B	35	50
C	12	20
D	28	30
E	15	20

#### Question 5

- a) What is a bank? "The RMA is often referred as 'captain' of the financial institution in Bhutan. It supervises the functioning of the different financial institutions in Bhutan". In lieu of the above extract, discuss any **FIVE** functions of RMA. [6]  
b) Describe some of the remedial measures to control the rate of inflation? [4]

#### Question 6

- a) What is meant by the economic growth? Enumerate the difference between economic growth and economic development. [5]  
b) Analyze the drawbacks of index numbers. [5]

#### Question 7

- a) "Bhutanese economy is the mixed economy". How would you justify the above statement? [5]  
b) Discuss the various functions which are performed by money in the economy. [5]

#### Question 8

- a) Why does economic problem arise? Explain any three central problems of an economy. [5]  
b) By giving loans to the farmers, most of the financial institutions of our country are faced with the problem of un-covered loans. If you were CEO of a bank, how would you overcome the problem of un-covered loans? [5]

#### Question 9

- a) How does monetary policy and fiscal policy help in controlling inflation? [5]  
b) Which definition of the economics do you think is the best? Explain. [5]

#### Question 10

- a) Do you think that the use of index numbers is useful? Justify your answer giving **FIVE** reasons. [5]  
b) write the short note on the following: [5]  
i. Welfare  
ii. Saving  
iii. Per-capita income  
iv. Consumption