

## SECTION A: (40 MARKS)

Answer **ALL** questions.

**Directions:** Read the following questions carefully. For each question there are four alternatives A, B, C and D. Choose the correct alternative and circle it.

### Question 1

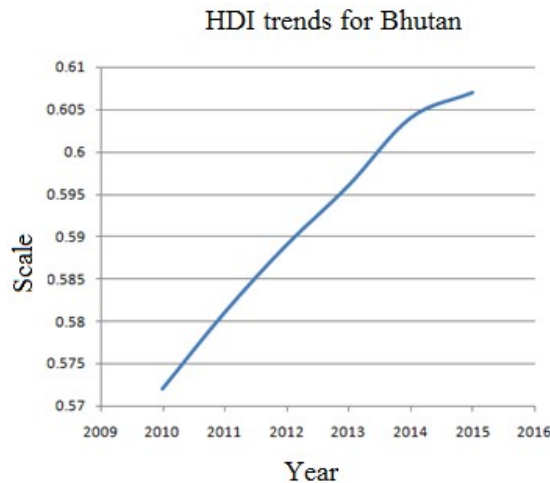
[15 marks]

- (i) The wooden products produced in Bumthang are sold in urban centres like Thimphu, Paro, Punakha etc. This is an example of
- A inter-regional trade.
  - B intra-regional trade.
  - C multi-lateral trade.
  - D bi-lateral trade.
- (ii) The type of unemployment opted as a choice to not to work is called
- A disguised unemployment.
  - B voluntary unemployment.
  - C temporary unemployment.
  - D underemployment.
- (iii) Which of the following is considered as labour in Economics?
- A A student playing football.
  - B A mother nursing her baby.
  - C A doctor attending a patient.
  - D A monk worshipping in a temple.
- (iv) The payments made by the firms to the households are expenditure for the firms and income for the household. This income is in the form of
- A consumption expenditure.
  - B disposal income.
  - C factor earnings.
  - D factor services.

(v) An example of a tax whose burden cannot be shifted to another person is

- A land tax.
- B sales tax.
- C export tax.
- D custom duties.

(vi) The graph below shows the Human Development Index used by UNDP.



HDI is measured on a scale of 0-1. In 2015, HDI value of Bhutan was 0.607.

What does the graph show in terms of human development in Bhutan?

- A There is absence of human development.
- B There is progress in human development.
- C There is perfect human development.
- D There is under development.

(vii) Study the table given below.

Wage rate per day (Nu)	Quantity of labour demand	Quantity of labour supplied	Market situation
400	150	50	Excess demand
450	100	100	Equilibrium
500	50	150	

What will be the market situation at the wage rate of Nu 500 per day?

- A There is excess supply.
- B There is excess demand.
- C Demand and supply is equal.
- D Demand and supply is not equal.

(viii) The table below shows the BOBL interest being reduced from 11.75% to 8.49% in 2016 for lending towards agriculture sector.

Sector	Changes in BOBL interest rate	
Agriculture Sector	11.75%	8.49%

Source: Kuensel, 2 September, 2016.

What do you think will happen to the size of investment in agriculture sector?

- A The investment will increase at a high rate.
- B The investment will increase at a slow rate.
- C The investment will remain same.
- D The investment will decrease.

(ix) Read the following information.

- I India
- II Thailand
- III Srilanka
- IV Myanmar

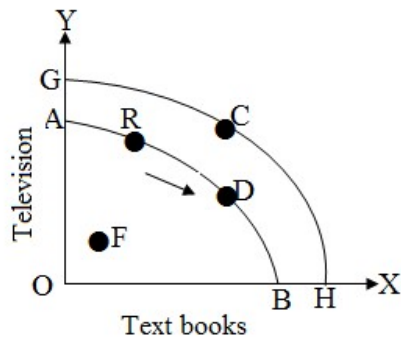
Which combination of countries best represent the ASEAN?

- A I, II
- B I, IV
- C II, IV
- D II, III

(x) If you were to complete your graduation from USA and the total expenditure is US\$ 10,000. How much Ngultrum do you need to pay in order to get US\$10,000? (Buying rate: 54.5 and Selling rate: 56.2)

- A Nu 5,45,000
- B Nu 5,52,000
- C Nu 5,62,000
- D Nu 6,00,000

(xi)



The movement from point 'R' to 'D' indicates

- A reallocation of resources.
- B underutilized resources.
- C over utilized resources.
- D economic growth.

(xii) All of the following are differences between internal and external trade **EXCEPT**

- A extent of market.
- B currencies used.
- C trade policies.
- D specialization.

(xiii) Which of the following statements is **TRUE**?

- A Bhutan imports rice.
- B Bhutan exports shoes.
- C Bhutan exports petrol.
- D Bhutan imports cordyceps.

(xiv) Why is the balance of payment most of the time unfavourable for Bhutan?

- A The receipts from the rest of the world is more than its payment.
- B The receipts from the rest of the world is less than its payment.
- C The receipts from the rest of the world is equal to its payment.
- D The exports and imports are equal.

(xv) Following information shows the impacts of phenomenon 'Y' on population.

- I Decline of per capita income
- II Problem of unemployment
- III Problem of waste disposal
- IV Pressure on resources

What is phenomenon 'Y'?

- A Optimum population
- B Under population
- C Over-population
- D Urbanization

## Question 2

a) Define Trade.

[1]

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b) Despite criticism, foreign aid is important in developing infrastructural facilities in Bhutan. Do you agree? Justify giving **TWO** reasons.

[2]

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c) According to RMA annual report 2015-2016, Bhutan's total debt stands at 118.6% of GDP.

In your opinion, what factors could have contributed to such a huge amount of debt for the country?

[2]

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### Question 3

- a) Entrepreneurship is a crucial factor in shaping the economic activities of a country.  
It creates new jobs and addresses the issues of rising unemployment.

Suggest **TWO** measures to support and enhance self-employment and entrepreneurship for the people in Bhutan.

[2]

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- b) Draw and explain the real flow of Income.

[2]

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c i) What do you understand by Public Finance?

[1]

ii) One of the resolutions of the 18<sup>th</sup> National Education Conference 2017 is to start 'Value Orientation Week' in the schools.

How will the observation of value orientation week promote Gross National Happiness? [2]

d) Bhutan Agriculture and Food Regulatory Authority (BAFRA) banned the import of chillies from India.

Source: Kuensel, 24 July, 2016.

i) What has been done by the Agriculture ministry to meet the domestic demand for chillies? [2]



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ii) How has this affected the price of chilies in the local market?

[1]

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**Question 4**

a) If you were to write the economic policies for the Royal Government of Bhutan, which developmental indicators, GNH or GDP would you use to frame the policies. Give **TWO** justifications.

[2]

- b) About 56% of Bhutan's population is young. What are **TWO** likely advantages of this situation on the Bhutanese economy?

[2]

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- c) Saving is encouraged for multiple reasons. Why do you have to save money? Explain with **TWO** reasons.

[2]

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- d) Bhutan in 1960s was predominantly an agrarian economy with few roads, little electricity, and no modern hospitals & education system. However, with wise and farsighted monarchs, Bhutan has been developing consistently over the years.

Why is the economic growth important for a country?

[2]

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e) Explain optimum size of population with the help of a diagram.

[2]

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**Section B: 40 marks**

*Attempt any **FOUR** questions from this section. Figures in brackets [] indicate full marks.*

**Question 5**

a) Ap Chenga grows ginger in Samtse. He buys ginger worth Nu 30,000 for the initial plantation, spends Nu 5,000 on manure and another Nu 10, 000 for the hiring of labour services. At the end of the year, he produces about 1000 kilogram of ginger, which he sells for Nu 100 per kilogram in the market.

i) Find out the total cost of growing ginger for Ap Chenga.

[1]

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ii) Calculate the total revenue.

[1]

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iii) Calculate his total profit or loss.

[1]

b) Goods and Service Tax (GST), 2017 is a new tax regime introduced in India to boost its export and reduce its imports.

i) How will this affect the consumption pattern of Bhutanese people?

[1]

ii) Will this affect the balance of payment situation in Bhutan? Why? [1]

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c) Though tourism industry has been contributing significantly to the GDP and also earning the highest hard currency reserves, it was felt necessary to revise the tourism policies and strategies.  
If the tourism tariff increases from US\$ 250 to US\$ 300 per day with royalty remaining the same at US\$ 65 per day.

How would it affect the following?

i) Bhutanese tour operators [1]

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ii) Government revenue [1]

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i) Why is high density of population a barrier for economic development?  
Give **TWO** reasons.

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**[1]**

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### Question 6

- a) Implementation of Economic Stimulus Plan to increase domestic productive capacity for import substitution, investment in hydropower projects, and increased in import of goods are few among many factors that led to deficit in the balance of payment.

What are **THREE** measures that can correct the deficit balance of payment?

[3]

[illegible]

bi) What do you understand by productivity of labour?

[1]

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ii) Explain skilled labour with an example.

[2]

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c) Hydropower is one of the most important components of Bhutanese economy. Over the years, Bhutan has made massive investment in hydropower plants. However, concerns are being raised in terms of overdependence on a single resource.

Can Bhutan make further investment in hydropower development? Why?

[2]

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d) How is export promotion different from import substitution?

[2]

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### Question 7

- a) Teacher shortage was one of the issues of the education system in early 1990s. However, with the provision of benefits such as teaching allowance, difficulty allowance, housing allowance and leave encashment, the supply of teachers in Bhutan increased over the years although the wage rate remained the same.

Using a diagram, explain how supply of teachers would change with the provision of better facilities.

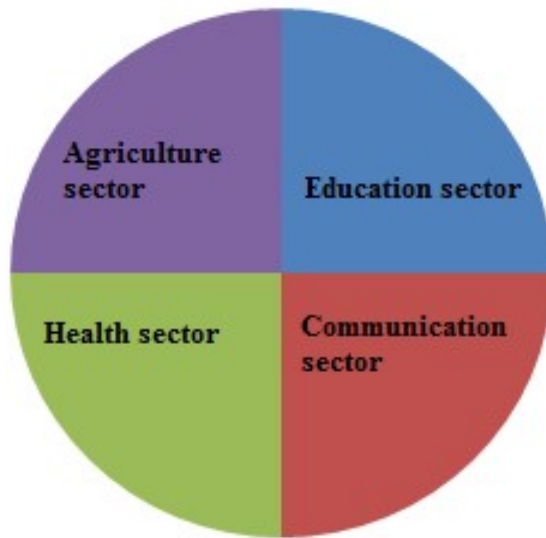
[3]

b) Bhutan has evolved from a closed economy to a trading nation in early 1970s. Over the years, the value of imports has increased substantially but exports decreased minimally.

[3]

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- c) Choose the appropriate sector from the following pie chart for each of the given public spending.



- i) Providing school uniforms in the central schools.

[0.5]

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- ii) Installation of 3G mobile facilities in Lunana.

[0.5]

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- iii) Awareness programme on hand, foot and mouth disease.

[0.5]

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- iv) Training of people on piggery and farming.

[0.5]

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- d) Distribution of utility vehicles to 205 gewogs by the government was to promote decentralization and participatory governance. The initiative is also geared towards enhancing development at the grassroots.

Source: Kuensel, 16 January, 2017.

- i) How will this initiative benefit the local community? **[1]**

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- ii) Suggest a measure that can promote the use of utility vehicles sustainably? **[1]**

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### **Question 8**

- a) Explain industrialization as the engine of economic growth. **[3]**

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b)

Sl. no	Particulars
1	Salaries
2	Pensions
3	Dividends
4	Profits

i) Identify earned and unearned income from the above table.

[2]

ii) Give reasons for grouping them under earned and unearned income.

[1]

c) Bhutan is inclined more towards promoting service sectors than the manufacturing sectors.  
Why do you think so? Mention **TWO** reasons

[2]

[illegible]

d) Thomas Robert Malthus made a prediction that world population would double every 25 years if population growth is unchecked. Do you think Malthusian Theory of population is still valid? Justify with **TWO** reasons.

[2]

[illegible]

### Question 9

ai) What is meant by dumping?

**[1]**

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ii) Categorise the following into capital and recurrent expenditures.

[2]

Widening of Thimphu -Trashigang highway Purchase of helicopters by the government Buying of school textbooks Fuelling of school bus
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b) The per capita income in Bhutan has increased from US\$ 2719 in 2015 to US\$ 2751.20 in 2016.

Does increase in the per capita income indicate economic growth of the country? Justify. [2]

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- c) The rupee shortage has hit the Bhutanese economy severely in early 2012 and ever since it has continued to affect our economy.

What are **THREE** causes of rupee crunch in Bhutan?

[3]

[illegible]

- d) Explain **TWO** factors causing change in birth rate.

[2]

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### Question 10

a) Study the following table:

Items	Exports(%)
Electricity	42%
Ferro Alloys	18%
Cement	5.9%

Represent the above information on a bar graph and state which export item contributes the highest revenue to the government.

[2]

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b) Is deficit balance of payment bad for the country?  
Justify with **THREE** points.

[3]

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c) Define consumption expenditure. [1]

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**[1]**

- d) Phuntsholing has been facing the housing crunch for decades. Therefore, in order to ease the housing problem, government has identified 7 sites to construct 400 units of houses in two years' time.

Source: Kuensel, 12 April, 2016.

How will this affect the private house owners? Why?

[2]

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- e) Population growth is a boon for the developed nations. However, rising population exerts pressure on the environment. It leads to over utilization of resources and finally causes global warming.

Is population growth a threat to the Bhutanese economy? Why?

[2]

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