

SECTION A: (40 MARKS)

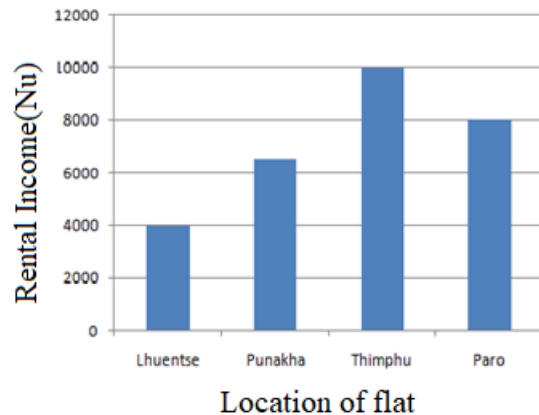
Answer **ALL** questions.

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. If there are more than one choice circled, No score will be awarded.

Question 1.

[15x1 = 15]

(i) Study the graph.



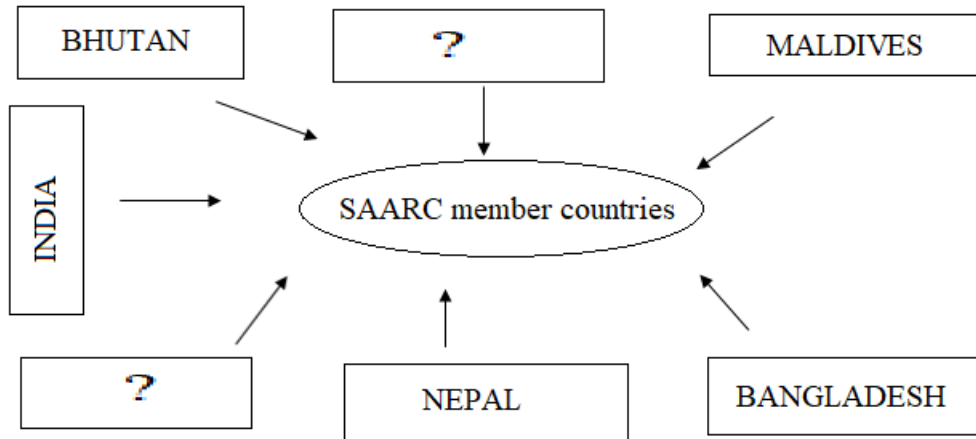
A proprietor earns different rental income from a three-unit flat he owns in various locations. Which flat has benefitted him the most?

- A The house in Lhuentse.
- B The house in Thimphu.
- C The house in Punakha.
- D The house in Paro.

(ii) Which of the following is an example of capital expenditure?

- A purchase of stationery items
- B maintenance of multi-purpose hall
- C construction of an academic building
- D renovation of Wangduephodrang Dzong

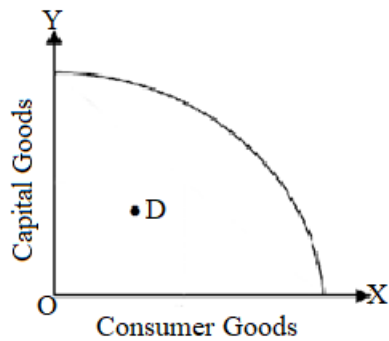
(iii)



Which are the two missing member countries of SAARC?

- A China and Myanmar
- B Sri Lanka and Pakistan
- C Thailand and Afghanistan
- D Pakistan and Afghanistan

(iv)



Point **D** inside the PPC denotes inefficient point of production. The main cause of this situation is due to

- A optimum use of resources.
- B underutilization of resources.
- C availability of productive labour.
- D availability of advance technology.

- (v) A country reduces most of its trade barriers such as tariffs, quotas, duties and regulations to promote free exchange of goods and services between its trading partners.

This is called as

- A free trade.
- B globalization.
- C modernization.
- D trade liberalization.

- (vi) Use the table to answer the question that follows.

Reproductive age group	Number	
15-19	33,607	} 1,60,406
20-24	34,340	
25-29	36,478	
30-34	30,121	
35-39	25,860	
Total projected female population		3,46,692

Source: Population distribution by age group, PHCB, 2017.

What do you think will happen to the population growth in the next five years?

- A Population growth will slightly increase.
- B Population growth will remain constant.
- C There will be a population explosion.
- D Population growth will decrease.

- (vii) Protectionism is a trade strategy which promotes

- A export.
- B import.
- C dumping.
- D domestic industrialization.

(viii) Study the table.

Sources of revenue	Amount (Nu in million)
Tax revenue	124
Non-tax revenue	76
Total	200

What is the percentage of tax revenue?

- A 38
- B 62
- C 76
- D 124

(ix) Bhutan receives external assistance from Japan for the construction of bridges. Some of the impacts of it on the Ngultrum and Yen are

- I increase in demand for Ngultrum.
- II decrease in the demand for Ngultrum.
- III increase in the demand for Yen.
- IV decrease in the demand for Yen.

Which of the following combinations is correct?

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

(x) Today e-commerce has become very popular among many Bhutanese. It is possible to purchase almost everything online through websites such as Flipkart, AliExpress, Amazon and e-bay.

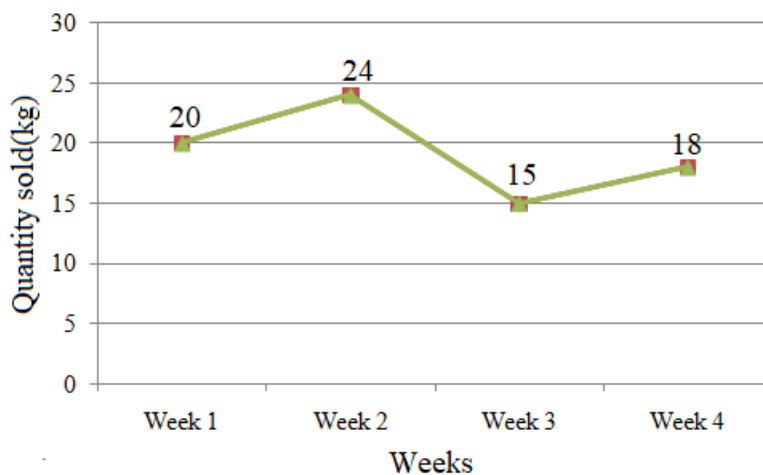
What is the most likely ill-effect of this on the economy?

- A availability of variety of goods
- B youth employment opportunities
- C leads to adverse balance of payment
- D improves living standard of the people

(xi) What will happen to the economy when there is excess supply of Ngultrum?

- A decrease in savings
- B rise in unemployment
- C increase in investment
- D purchasing power will fall

(xii) The graph shows fluctuations in the quantity of chillies sold by Aum Kinley.



Aum Kinley incurred a total expenditure of Nu 5600 on the plantation of chillies. She sold her entire chillies at Nu 150 per kilogram. What is her profit or loss?

- A Nu 5450
- B Nu 5600
- C Nu 5750
- D Nu 5950

(xiii) There has been an increasing number of regional tourists visiting Bhutan in the recent years.

All of the following factors are responsible for the increase **EXCEPT**

- A presence of sustainable tourism policy for regional tourists.
- B regional tourists drive their own vehicles without restrictions.
- C majority of them come through non-Bhutanese tour operators.
- D relaxation in the payment of minimum daily tariff of US \$ 250.

- (xiv) Bhutan is the fastest growing economy in the developing Asia region.
Its GDP in 2017 increased to Nu 180 billion from Nu 100 billion in 2013.

Source: Asian Development Bank, Kuensel, 10 May, 2017

However, the growth process has not benefitted everyone equally. One of the numerous disadvantages associated with economic growth is

- A economic growth without creating employment opportunities.
- B narrowing disparity between agriculture and other sectors.
- C reducing inequality in the distribution of income.
- D more growth in the primary sector.

- (xv) The number of children each woman needs to have to maintain a stable population size in the country is known as replacement level. Bhutan has a replacement level of 2.1. The total fertility rate (TFR) for Bhutan has reduced from 2.5 in 2005 to 1.7 in 2017.

What would happen to Bhutan if its TFR remains below the replacement level for a long time?

- A Bhutan will have more number of ageing population.
- B Bhutan will have more unemployment issues.
- C Bhutan will have huge labour force.
- D Bhutan will have more child birth.

Question 2

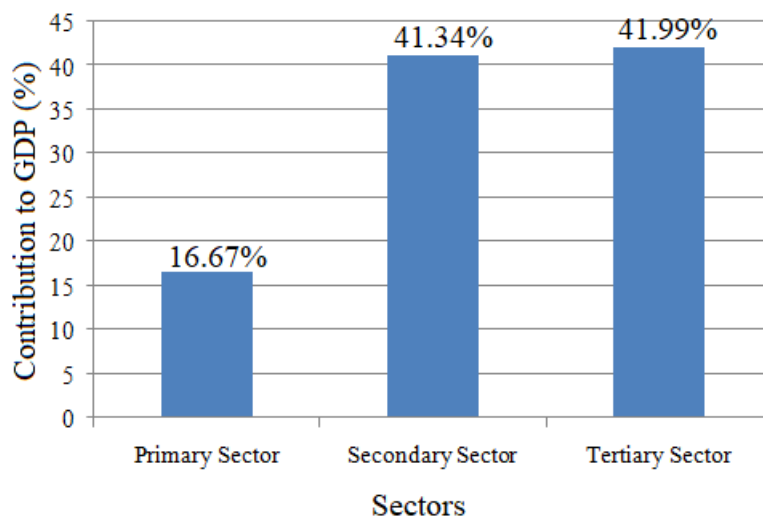
Export items	Amount (Nu in million)	Import items	Amount (Nu in million)
Dolomites	6400	Motor vehicles	3000
Wages paid to Indian workers used at various construction sites = Nu 2000 m			

- (a) i) Calculate the balance of trade using the above information. [2]

ii) What is a current account?

[1]

(b) The graph below shows contributions made by three sectors to GDP in 2016.



What measures can be taken by the primary sector to increase its contribution to GDP?

[2]

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Question 3

(a)

Particulars	No. of labour	Wage rate (Nu)
Supply of labour	25	600
Supply of labour	15	?

What will happen to the firm's equilibrium wage rate when the supply of labour decreases from 25 to 15? Explain with the help of a diagram.

[2]

(b) The table shows distribution of population by age group.

Age group	Population
0-14	1,89,417
15-64	4,94,664
65 and above	43,064

Source: PHCB,2017

Find out the total dependency ratio using the above information.

[1]

(c) World Trade Organization(WTO) is formed by the world's trading nations to help trade flow as freely as possible for economic development. It negotiates trade agreements, settles trade disputes and liberalizes trade.

Should Bhutan be concerned about its decision to join the WTO? Explain with **THREE** reasons. [3]

(d) Trade protectionism has both advantages and disadvantages for a country.

How will the policy of trade protectionism benefit Bhutan?

[2]

(e) Study the table.

Particulars	Amount (Nu in million)
Exports	35,258
Imports	67,360
Balance of trade	(-) 32,102

Suggest **TWO** measures to improve the country's deficit balance of payment.

[2]

Question 4

- (a) Sonam borrowed a sum of Nu 2,00,000 from the Bank of Bhutan. At the end of one year, he returned a total of Nu 2,30,000. What was his interest rate? [2]

- (b) With the reform in the minimum lending rate fixed by RMA at 6.75%, all other banks in the country have lowered their loan interest rates.

How will this affect the level of

- i) investment? [0.5]

ii) savings?

[0.5]

- (c) Bhutan is a small landlocked and mountainous country with limited resources. We live in extraordinary times with numerous opportunities and new challenges at the same time. Human resource is the wealth of the nation.

HM's address during 12th Convocation, RUB, 2017.

What strategies can be developed so that Bhutan has one of the most efficient human resources?

[2]

- (d) Do you think the slow growth of primary sector is affecting the employment trend in Bhutan? Justify with **TWO** reasons.

[2]

- (e) Industrial revolution, better medical facilities, lack of proper family planning led to a rise in the population growth.

Is large population a hindrance for economic development? Justify with **THREE** reasons. [3]

Section B: 40 marks

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

Question 5

- (a) What is meant by national income? [1]

(b) Explain the following terms:

i) Export promotion

[1]

ii) Import substitution

[1]

(c) Bhutan is one of the few countries in the world which is carbon negative.

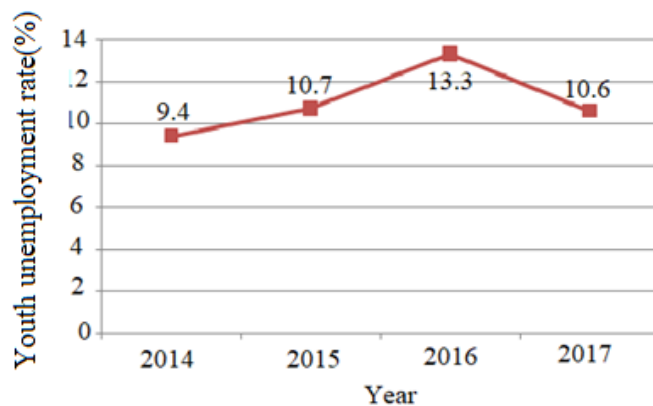
What measures can you suggest so that Bhutan remains carbon neutral for all times to come? [3]

(d) Bhutan remained in isolation until early 1970s. However, the country has opened its economy to the outside world with an aim to reap the benefits of trading.

Is the country reaping the benefits? Justify with **TWO** reasons.

[2]

(e) The graph given below shows youth unemployment rate over the years in Bhutan.



Youth unemployment is a growing concern and a challenge for the government.

What are **TWO** factors that have caused youth unemployment in Bhutan?

[2]

Question 6

- (a) With fast economic development, rapid urbanization and more people engaged in work, old parents are left unattended and neglected.

Is it timely to start an old age home? Why? Give **TWO** reasons.

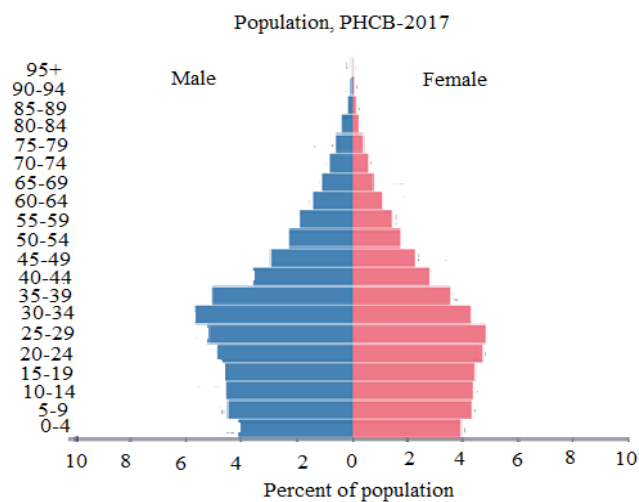
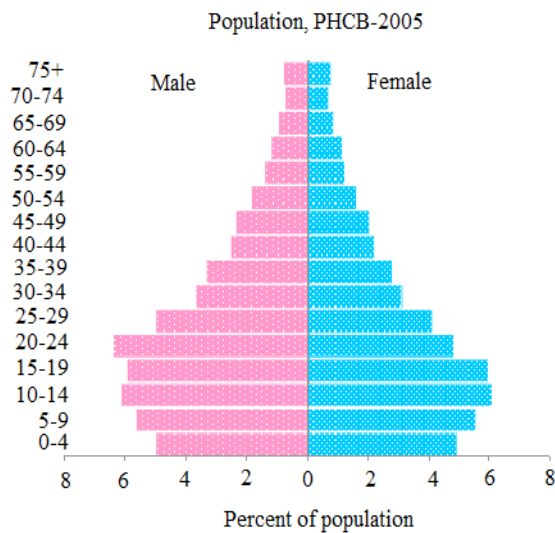
[2]

- (b) The report called ‘the new debt trap’ lists Bhutan among 14 other nations that are fast heading towards a debt crisis.

As a responsible citizen, how can you help to solve the debt crisis?

[2]

(c) Study the following population pyramids.



How is the population pyramid of PHCB 2005 different from that of PHCB 2017?
State **TWO** points.

[2]

(d) The table shows volume of petrol imported annually from India.

2014 (Volume in MT)	2015 (Volume in MT)	2016 (Volume in MT)
117,615.80	126,139.40	133,851.27

Statistical Yearbook of Bhutan 2017, NSB.

Bhutan spends huge amount of money annually to purchase petrol at a subsidized rate from India. However, the Indians residing across the border towns like Phuntsholing, Gelephu and Samdrup Jongkhar have easy access to the same subsidized petrol from the Bhutanese fuel stations.

What measures can be suggested so that the Bhutanese consumers get the most benefits out of this fuel subsidy?

[2]

(e) Social ills such as suicidal cases, people suffering from depression and stress, vandalism and crimes are on the rise.

How can the concept of GNH help reduce these issues in the society?

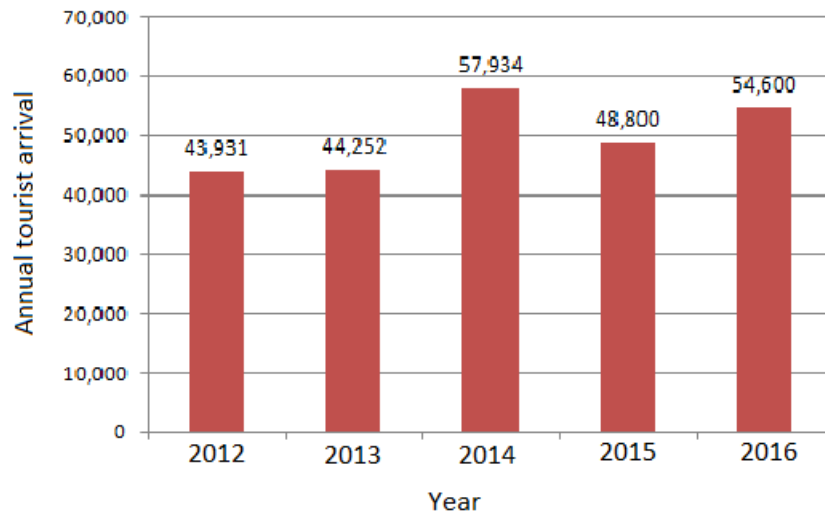
[2]

Question 7

(a) Explain any **TWO** features of modern economic growth. **[2]**

(b) What impact would increased savings have on the economy? **[1]**

(c) The graph shows annual arrival of tourists from 2012-2016.



i) In which year, the service sectors would have earned the maximum revenue? [1]

ii) Bhutan remains a much admired destination for many of the global tourists.

What measures can the government adopt to sustain itself as one of the most desired tourist destinations for the international visitors? [2]

(d) The table below shows the foreign exchange rate of RMA.

USA dollar	Buying	Selling
	63.80	65.99

Thinley wishes to purchase an Apple iphone from the USA which cost him US \$500, while a Samsung J7 phone from the Indian market will cost him Rs 10,000.

- i) How much will Thinley need to pay to RMA in order to buy one Apple iphone from the US market? [1]

- ii) How much does he need to pay to RMA in order to buy one Samsung J7 from the Indian market? [1]

- (e) Explain **TWO** reasons why a decreased recurrent expenditure leads to more capital expenditure.

[2]

Question 8

- (a) Define derived demand in your own words.

[1]

- (b) According to the Labour Ministry's 12th Human Resource Master Plan, about 66,000 job seekers will enter the labour market in the 12th Five Year Plan.

Kuensel, 4th June, 2018.

Suggest **TWO** measures to prepare them to enter the market successfully.

[2]

(c)

Changes in hydropower debt	
Fiscal year 2014-2015	Fiscal year 2015-2016
Nu 85,012.366 million	Nu 106,588.639

What could be the **TWO** factors that have led to increase in the hydropower debt?

[2]

(d) People need to have prior job experiences in order to get employed in any organization.

Do you think that experience is necessary for recruitment? Justify with **TWO** reasons.

[2]

(e) Is it advisable to reduce the imports when a country is faced with an unfavorable balance of payment? Give **THREE** reasons. [3]

Question 9

(a)

Trade A	Trade B
Purchase a bura gho from Samdrup Jongkhar	Purchase a car from Korea

i) How is trade A different from trade B?

[1]

ii) Which is a better trade for the country? Why?

[1]

(b) Budget allocation is one of the most important components that can influence the functioning of any economy. Write down **TWO** importance of government budget.

[2]

- (c) The national objective for the 11th FYP is economic self reliance and inclusive green socio-economic development.

What has been initiated by the Ministry of Agriculture to achieve this objective?
Mention any **TWO** initiatives.

[2]

(d)

Country	Units of product (woollen carpet)	Units of product (jute carpet)
Bhutan	7500	5500
Bangladesh	4800	8000

How can the two countries benefit from the international trade?

[1]

(e) If you have to run a business, what factors would you include in your business plan to earn profit? Write **THREE** factors that will enhance your profit. [3]

Question 10

(a)

Wage rate (Nu)	Quantity demanded	Quantity supplied	Market situation	Effect on wage rate
250	<i>a</i>	30	<i>b</i>	Rise
300	40	<i>c</i>	Equilibrium	Equilibrium
350	50	50	Excess supply	<i>d</i>

- i) Identify the missing information numbered from (*a – d*) and write them in the space given below.

[2]

- ii) How does excess demand lead to rise in wage rate?

[1]

- (b) The money payment made by firms to household is expenditure for the firms and income for the households. Explain the statement with the help of a diagram. [2]

- (c) According to the Ministry of Education, the country has a shortage of about 400 teachers. Every year teachers leave the system and it remains a challenge.

Kuensel, 8th August, 2017.

- i) What would happen to the wage rate of the teachers in the country? [1]

ii) What strategies should be developed to address the teacher shortage?

[1]

(d) Empty houses or ‘gungtongs’ is a stark reality in many parts of the rural areas in Bhutan.
What are **TWO** challenges faced by the people in these villages?

[2]

- (e) Bhutan intends to increase its exports but our producers are faced with multiple hurdles in exporting their products.

What solutions would you give them to increase their exports?

[1]

